

2015

FINAL ANNUAL
REPORT

Volume I



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REPORT FROM THE AUDIT COMMITTEE TO BE INCLUDED IN THE 2015 FINAL ANNUAL REPORT



Audit Committee Report to Council of Inxuba Yethemba Municipality

Quarterly reports from the Audit Committee in terms of Section 166 of the Municipal Finance Management Act (MFMA) No.56 of 2003.

Audit Committee Members

The audit committee consists of the members listed hereunder.

NAME OF MEMBER

TJ Irion (Chairperson)

S Du Toit (Member)

J Kundishora (Member)

S Tshoko (Member)

Purpose

The purpose of this report is to comply with legislative requirements:

- In terms of section 166(2) c) an audit committee is an independent advisory body which must respond to the council on any issues raised by the Auditor-General in the audit report.
- In terms of regulation 14(4)(a)(i) of the Municipal Planning and Performance Management Regulations a performance audit committee must : (a) review the quarterly reports submitted to it in terms of sub regulation (1)c)(ii),(b) review the municipality's performance management

system and make recommendations in this regard to the council of that municipality, and

c) at least twice during a financial year submit an audit report to the municipal council concerned

- In terms of section 166(2)(a) an audit committee is an independent advisory body which must advise the municipal council, the political office-bearers, the Accounting Officer and the management staff of the municipality, or the board of directors, the Accounting Officer and the management staff of the municipal entity, on matters relating to
 - (i) Internal financial control and internal audits,
 - (ii) Risk management,
 - (iii) Accounting policies,
 - (iv) The adequacy, reliability and accuracy of financial reporting and information,
 - (v) Performance management,
 - (vi) Effective governance,
 - (vii) Compliance with this Act, the annual division of revenue Act and any other applicable legislation
 - (viii) Performance evaluation, and
 - (ix) Any other issues referred to it by the municipality or municipal entity

In terms of Section 166(2) (a) the audit committee would like to draw council's attention to the following:

Background

Internal Audit plan for 2015/2016 financial year has been approved by the Accounting Officer and Audit Committee. Internal audit team was also requested by the Accounting Officer to conduct an adhoc assignment on the auction of assets and that was performed in April 2015 for Cradock and Middelburg office.

Adhoc assignment: assets auction

The audit report was presented to the committee and the internal audit team highlighted that they had challenges while conducting the review as there was lack of cooperation from the Acting Manager Technical services and non-submission of information. As a result the internal audit unit was unable to achieve the audit objectives due to non-submission of information.

It was also discovered during the review that the Accounting Officer and the Acting CFO was not aware of the items that were auctioned, and there was no evidence that the auction was approved by Council and most of the municipal assets were released without the full payment from the bidders and there was no explanation in writing from the Acting Manager.

The implementation dates for most of the findings raised was 15 January 2016 and it was agreed in the meeting that internal audit will follow up to ensure that agreed actions has been implemented by the Acting Manager failing which consequence management must be implemented.

Performance information quarterly reports

A concern was raised by the internal audit team that some Managers have not submitted quarterly reports and portfolio of evidence and this is going to affect the internal audit plan, this lack of cooperation from Management have been reported to the Accounting Officer.

The IDP Officer is not collecting the reports and portfolio of evidence from management as per the arrangement, internal audit has to request the reports directly from the Managers and this is time consuming as they are expected to stick to the budgeted hours per project as outlined in the internal audit plan.

| Audit Action Plan

- National Treasury issued a template that municipalities are expected to utilise when preparing the audit action plan.

Recommendation from the committee

- It was recommended by the committee that the Acting Technical Services Manager should be charged for realising municipal assets without receiving the full payment; this is clearly stated in the Municipal Finance Management Act (MFMA).
- It is recommended that this matter be brought to the disciplinary hearing in order to sanction a financial misconduct.
- Acting Technical Services Manager should explain why the information was not submitted to internal audit and no coordination with internal audit.
- Procedures should be followed when auctioning municipal assets and auction should be approved prior by municipal Council.
- Internal audit must submit report on implementation to Council and failure to implement should be reported and be addressed by the Accounting Officer
- Accounting Officer should ensure that IDP Officer provides the information on a quarterly basis with regards to performance management.

The audit committee would like to thank the council to be off service to them.



TJ Irion
Chairperson of the Audit Committee

25.01.2016
Date

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Chapter 1

CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD

MAYOR'S FOREWORD

a. Vision:

The municipality's vision is 'a coherent developmental municipality putting people first and providing a better life for all' with the strategic intent of:

- Promoting social and economic development
- Ensuring effective community participation
- Providing and maintaining affordable services
- Effectively and efficiently utilising all available resources

In this annual report the municipality attempts to give an overview of the performance during the financial year 2014/15. This is in line with the mandate the institution is charged with in terms of the supreme law of the country of:

- Providing a democratic and accountable government
- Ensuring provision of services in a sustainable manner
- Promoting social and economic development
- Promoting a safe and healthy environment
- Encouraging involvement of communities in local government
- It attempts to account for the performance of the institution as part of our accountability responsibility.

This report is both a legislative and accountability requirement. In terms of Section 46 of the Local Government: Municipal Systems Act No. 32 of 2000 and Sections 121 and 127(2) of the Local Government: Municipal Finance Management Act No. 56 of 2003, the Municipality must prepare an annual report for each financial year and the Executive Mayor must table such report in Council within seven months after the end of each financial year.

In this annual report the municipality attempts to give an overview of the performance during the financial year 2014/15. It attempts to account for the performance of the institution as part of our accountability responsibility.

b. Key Policy Developments:

The municipality successfully reviewed its strategic plan through the all-inclusive participatory process of the IDP which takes into account national policy directives of the country in general. There were 6 (six) successful engagements held in the year.

c. Key Service Delivery Improvements:

The municipality recorded progress in achieving objectives in terms of the five key performance areas applicable to local government as are reflected below and outlined in this annual report:

- Basic service delivery and infrastructure development
- Municipal transformation and development
- Local Economic and Development

Chapter 1

- Municipal financial viability and management

The main thrust as is currently the priority number 1 is tackling the roads and stormwater infrastructure as indicated by the bulk expenditure of MIG funding.

Through the IDP process key strategies were developed to tackle service delivery that is geared at the provision of roads and storm water management, provision of uninterrupted electricity supply, development of local economy, and alleviation of poverty, good governance and public participation and provision of basic services in general.

Performance highlights for the year under review were the following amongst others:

- Completion of Manana street paving
- Huge progress on Fort Calata and Lusaka paving projects
- Resumption of work in the Gala Street paving project
- Commissioning of electricity Michausdal ring feed line
- Construction of Hawkers facility and Taxi rank
- Registering the High Mast project and appointment of Service Provider,
- Securing funding for rehabilitation of Cradock substation
- Creating of job opportunities through the Expanded Public Works Programme(EPWP)
- Provision of Free Basic Services to Indigent Households

d. Public Participation:

Public participation is achieved through IDP forums, budget meetings across all wards, ward committee and ward meetings. The community is also invited to make written and oral submission through the local press on any matters which are of interest to them. Mayoral outreach meetings were very successful in the wards where they were held and there were positive and constructive inputs from the communities

e. Future Actions:

The cash flow situation remains a serious challenge and has a negative impact on service delivery in general. The impact of the taking over by the district of its water service provision is rearing its head through cashflow challenges.

The municipality will have to seriously look into streamlining its activities in line with its budgetary constraints going forward. The appointment of debt collectors have to critically focus on maximizing collection realizable revenue and identifying new revenue sources at our disposal.

The municipality will have to work tirelessly to improve its bad audit outcomes.

f. Agreements / Partnerships:

Partnerships are being forged with local Agricultural Institution such as Grootfontein Agricultural College for capacity building of Local Emerging Farmers and provision of entrepreneurial skills.

There is also an in principle partnership with DCI Holdings on Redevelopment Cradock Spa an accommodation and recreational establishment.

Chapter 1

g. Conclusion:

Finally, I would like to express my sincere gratitude to all Councillors, officials, the communities of Inxuba Yethemba Municipality and stakeholders for their dedication support and co-operation, which enabled the institution to record service delivery progress during the year under review.

(Signed by :) _____

Mayor/Executive Mayor

Chapter 1

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S OVERVIEW

As the Accounting Officer of Inxuba Yethemba Municipality, I confirm that this 2014/15 Annual Report has been compiled in line with the Local Government: Municipal Systems Act 32 of 2000, the Local Government: Municipal Finance Management Act 56 of 2003. This is the first attempt of the municipality to produce an annual report in line with National Treasury Circular 63 and we endeavor to improve with time as we become accustomed to this format.

The Annual report is provided in order to:

- Record all activities of the municipality for the period under review
- Report on performance on the pre-determined objectives against budget
- Promote accountability to the local community for decisions made during the year 2013/2014

The Integrated Development Plan (IDP), the approved Budget and Service Delivery Implementation Plan (SDBIP) provide the basis for all service delivery projects implemented during the year. The projects implemented were a product of extensive consultation through the various sessions of the IDP forums and formal adoption by the municipal council.

The focus areas for 2014/15 financial year were as indicated in the Mayor's foreword for the Key Performance Areas identified especially:

- Provision of basic infrastructure such as roads and electricity
- Promotion of Local Economic Development by creating a conducive environment for SMME's (Hawkers facilities) and taxi rank for commuting to work and doing business.
- Financial viability through Revenue Enhancement strategy
- Good governance through strengthening governance structures such as internal auditing

The bad audit report for the past 3 years is a cause of serious concern. Some strides are taken to address this once and for all as we believe any hasty approaches have made us to lose sight of our long term financial viability.. The issue of addressing prior years audit, has exposed us to serious limitations in our finance section. We must also point out that delays in executing this important task might not deliver the expected results in the short run but will in future provide us with sound basis of improving our financial accountability responsibilities. The internal audit reports received thus far are beginning to point fingers in the right direction. We trust that the investment we have made in this respect will bear dividends in the long run.

The results of the Revenue Enhancement Strategy project are yet to be seen as the institution continues to experience periodic cash-flow challenges. In this respect we are consciously securing the services of a private debt collector to assist us. It would also thus be prudent going forward to match expenditure with realizable revenue.

The highlight of achievements in service delivery and as witnessed by performance, reports clearly indicate that more can be achieved with the little we have, and amidst any challenges.

I would like to extend a word of appreciation to the management, political leadership and staff of the Inxuba Yethemba Municipality for the support and their contribution to the progress made during the 2014/15 financial year, together we can do more.

Chapter 1

T 1.1.1

1.2. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

INTRODUCTION TO BACKGROUND DATA

The municipality performs its functions in terms of Section 152 and 153 of the Constitution of the Republic of South Africa, Act 108 of 1996. In addition to the provisions of Section 152 and 153, Schedule 4, Part B of the Constitution provide for the functional areas of the local municipality of the municipality is rendering such services. It should however be borne in mind that some of the function may not be applicable to this municipality while some are rendered by the District Municipality since the municipality does not have capacity. Those services that are not rendered by this municipality are indicated in this document.

Inxuba Yethemba Municipality is situated in the Chris Hani District Municipality in the Eastern Cape Province. It is approximately 240km north of Nelson Mandela Metro. It is comprised of the former Middelburg EC and Cradock Local and Rural councils with their urban centres situated 100km apart. Cradock consists of the suburbs of Cradock, Lingelihle and Michausdal communities, whilst Middelburg has the Middelburg suburb with Kwanonzame Lusaka, and Midros communities.

The two urban centres of Cradock and Middelburg are fairly similar with well developed CBD's and fair infrastructure whilst a lot still needs to be done in the former previously disadvantaged communities. The rural areas of both towns are mostly commercial farms, with small settlements in rural areas of Fish River, Mortimer and Rosmead.

The N10 National Road which is the vital economic link between Port Elizabeth and the North runs through Cradock and skirts Middelburg. The economy of the area is largely based on agriculture and tourism with small and medium enterprises, formal sector like government departments and finance and commercial institutions.

Water

This function is currently performed by Chris Hani District Municipality

Sewerage

This function is currently performed by Chris Hani District Municipality

Electricity

The municipality distributes electricity to Cradock town, Michausdal and the whole of Middelburg. In Lingelihle township Eskom is the distributor. It also has a responsibility to provide and maintain streetlights throughout the municipality. Electricity is purchased in bulk from Eskom and distributed through the municipality's infrastructure and network.

Chapter 1

Waste Management

Waste Management Includes:

- refuse removal
- solid waste disposal
- landfills
- street cleaning
- waste recycling

The removal of household and business refuse industrial waste and medical waste, street sweeping of the central business zone and peripheries. This also includes the management of solid waste disposal side. Removal of refuse from households and business premises is done once a week throughout the municipality. Each household is supplied with a refuse bag on a weekly basis.

Roads

The municipality has a responsibility to construct and maintain roads within the municipal area of jurisdiction.

The strategic objectives of roads section is to ensure that major arterial roads are maintained, tarred/graded and provided with an effective storm water system. There is 139 km tarred and about 174 km graveled roads in the municipal area. Very few of the roads are in a fair condition the majority are in a very poor state.

Housing

Around 877 households in Inxuba Yethemba presently live within traditional, rental, or informal structures and earn below R6,400 per month per household. It is realistic to assume that this represents an indication of the number of households that are eligible (from an income perspective) for a housing grant in terms of that available housing delivery instruments. This leaves potential for investigating the use of FLISP in smaller towns to cover the demand between R3,500 and R7,500.

Of the above total, 812 households will qualify for the full subsidy amount available from the Department of Human Settlement. The majority – being 13 387 households (or 92.4%) reside in brick structures, followed by 368 (2.5%) in house/ flat/ room in backyard.

The presence of 86 households presently residing in “informal” flats and / or rooms in backyards indicate that there is a limited demand for rental accommodation provision in the urban areas of the municipality.

Land

There is adequate municipal-owned land (situated within the urban edge) available for development with approximately 283.2Ha of municipal land reserved for housing development. Land availability is therefore not a constraint to the development process. In general, rural land is privately owned and has to be purchased and negotiated with private landowners. (HSP 2008-2011).

Chapter 1

T 1.2.1

1.2.1 MUNICIPAL DEMOGRAPHICS

The 2011 Census statistics suggests a population of 65,560 for the whole of Inxuba Yethemba. The IHS Global Insight report of 2012 indicates a population 66,788. The population is concentrated in the urban areas of Cradock and Middelburg. Ward 6 has the largest population compared to all other wards. As with the National norm women constitute 51.69% of the total population on the census 2011 statistics.

The concentration of population in urban centres has huge implications for infrastructure development focus and job opportunity creation.

AGE GROUP	TOTAL POPULATION	
	GLOBAL INSIGHT 2013	CENSUS 2011
00-04	4 248	6987
05-09	3 786	6258
10-14	3 172	5861
15-19	2 920	5965
20-24	3 794	5663
25-29	3 553	5468
30-34	2 802	4325
35-39	2 253	4335
40-44	2 123	4167
45-49	2 071	3736
50-54	2 155	3 509
55-59	1 932	2 912
60-64	1 527	2 291
65-69	1 182	1 524
70-74	752	1 111
75+	569	1 448

More than 60% of the population is younger than 35 years of age. There has been an increase in the population between 2001 and 2013, with population growth of 0.8% according to census figures. Most residents in IYM live in Lingelihle, and Michausdal with ward 6 having the highest population of all wards. The population density is low at about 5 persons per km²

T 1.2.2

Chapter 1

Individual Monthly income (Census 2011)

INCOME	NUMBER OF INDIVIDUALS
No income	21 319
R 1- R 400	12 156
R 401 - R 800	3 001
R 801 - R 1 600	11 360
R 1 601 - R 3 200	3 437
R 3 201 - R 6 400	2 355
R 6 401 - R 12 800	2 174
R 12 801 - R 25 600	1 437
R 25 601 - R 51 200	319
R 51 201 - R 1 02 400	102
R 102 401 - R 204 800	55
R 204 801 or more	62
Unspecified	6 315

Income per Household (Census 2011)

HOUSEHOLD INCOME BRACKET (R)	NUMBER OF HOUSEHOLDS
No income	1,997
R 1- R 4 800	761
R 4 801 - R 9 600	1,209
R 9 601 - R 19 600	4,014
R 19 601 - R 38 200	4,133
R 38 201 - R 76 400	2,498
R 76 401 - R 153 800	1,767
R 153 801 - R 307 600	1,264
R 307 601 - R 614 400	571
R 614 001 - R 1 228 800	146
R 1 228 801 - R 2 457 600	47
R 2 457 601 or more	56

Inxuba Yethemba forms part of the Karoo Midlands, which is predominantly an agricultural area. The tourism industry also contributes significantly to the economy of the area. Both these sectors remain not to reflect the demographics of the municipality in terms of their benefits as they continue to be monopolized by the previously advantaged members of our community.

Source: Census 2011

T1.2.3

Chapter 1

Social Development Indicators

GINI COEFFICIENT

- This gives a summary statistic of income inequality
- The coefficient varies from 0 to 1
 - If it is zero then there is perfect equality
 - If it is 1 there is gross inequality
- This means that the greater the GINI COEFFICIENT the greater there is inequality in income

POPULATION GROUP	GINI COEFFICIENT		
	EC PROVINCE	CHDM	IYM
AFRICAN	0.56	0.53	0.54
WHITE	0.43	0.43	0.42
COLOURED	0.54	0.52	0.50
ASIAN	0.48	0.47	
TOTAL	0.62	0.57	0.60

Source: IHS GLOBAL INSIGHT 2013

The table above indicates a total GINI COEFFICIENT of 0.60 which means great inequality in income. Worth noting is the fact that there is an increase of 0.01 compared to 2011 data.

Chapter 1

**Gini coefficient
H131 Inxuba Yethemba, Total**

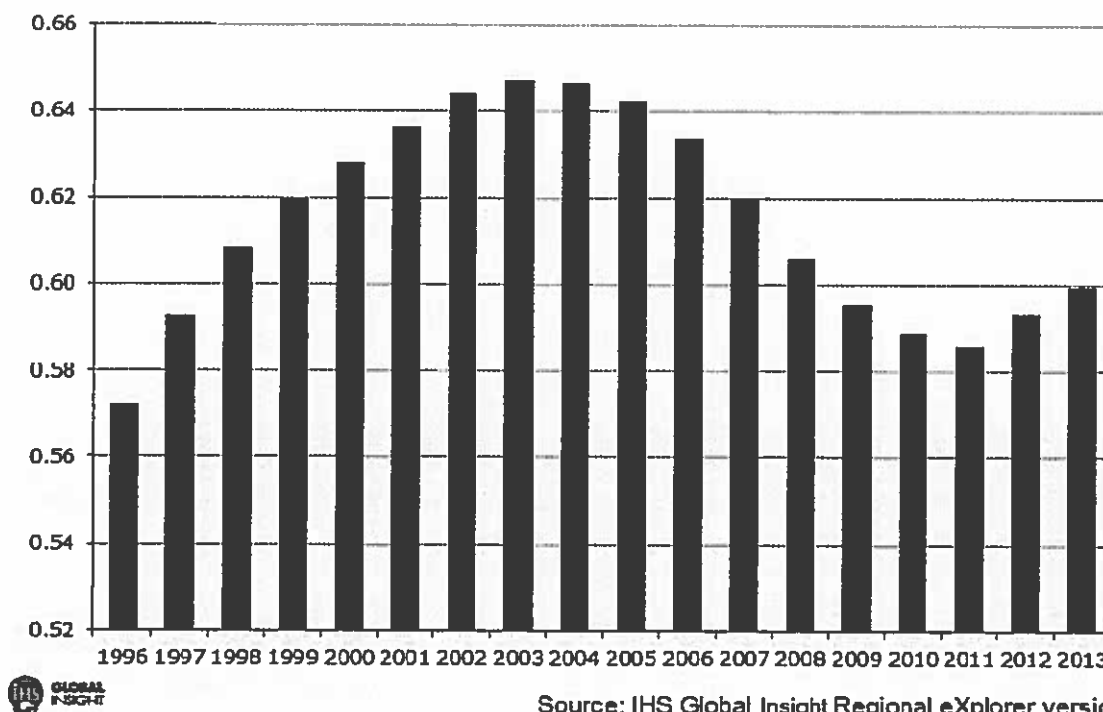


Figure 2.2: Total Gini Coefficient for IYM from 1996 to 2013

HUMAN DEVELOPMENT INDEX (HDI)

This is a complex index which measures Development. This index measures amongst other variables:

- Life expectancy
- Literacy rate
- Income

The HDI is measured on a scale of 0 to 1

The HDI of a population group or municipality should preferably be above 0.5 to represent an acceptable level of development.

POPULATION GROUP	HUMAN DEVELOPMENT INDEX		
	EC PROVINCE	CHDM	IYM
AFRICAN	0.53	0.51	0.53
WHITE	0.88	0.87	0.87
COLOURED	0.63	0.59	0.58
ASIAN	0.79	0.76	
TOTAL	0.58	0.53	0.60

IHS GLOBAL INSIGHT 2013

Chapter 1

Overview of Neighbourhoods within 'Inxuba Yethemba Municipality'		
Settlement Type	Number of Voters	Population
Towns	Per Provincial	Per Census 2011
	Gazette 2010 data	
Ward 1	3,553	6,929
Ward 2	3,150	5,566
Ward 3	3,002	4,917
Ward 4	3,754	6,506
Ward 5	2,917	8,750
Ward 6	3,466	12,235
Ward 7	3,823	8,402
Ward 8	3,177	6,374
Ward 9	3,280	5,881
Total	30,122	65,560
		T 1.2.6

Natural Resources	
Major Natural Resource	Relevance to Community
Arable land	Agricultural production, forestry, employment opportunities, economic development and poverty alleviation.
	T1.2.7

In light of the above information, the following have been identified as the key challenges and opportunities the municipality is faced with:

KEY CHALLENGES:

- Lack of proper and up to standard roads infrastructure and storm water channeling.
- Dilapidated bulk and water network infrastructure.
- Limited capacity of water and waste water treatment plants.
- Unsustainable and unpredictable water source for Middelburg unit.

Chapter 1

- Ageing electricity infrastructure in general and in particular limited capacity of power for future business development in Cradock unit.
- Inadequate street lighting with some areas requiring high masts lights.
- Lack of serviced plots for medium and high cost housing development.
- Availability of land for potential development of Emerging farmers and cooperatives.
- Land release to facilitate development and create sustainable livelihoods by parastatals such as Transnet in areas such as Rosmead currently being addressed and Fish River.
- The HIV/AIDS pandemic and its impact on local demographics.
- Lack of job opportunities creating great discontent amongst the youth.
- Drug abuse with increased crime levels.
- Very little grant funding for infrastructure development
- Insufficient revenue base due to high levels of poverty.

KEY OPPORTUNITIES:

- An indelible mark left by struggle stalwarts and historical sites that are nationally recognised makes it a compelling place to visit.
- The pristine Karoo environment.
- Abundance of labour including semi skilled to skilled labour.
- The Inxuba River running through the under utilised Industrial Area offers opportunities for industry development.
- Agriculture offers a huge potential in the area and a lot of spin offs through beneficiation can be derived from it.
- The pending Sugar Beet (Bio-fuel) project will offer a lot of other opportunities in other sectors, amongst others.
- Transport.
- Accommodation/ Housing.
- Beneficiation spin offs etc.
- Shale gas fracking will also offer positive benefits should it be successful.
- Schools with a history of good results
- Sporting facilities of high standard eg. Cradock stadium with a tartan track for athletics which is currently the only one in CHDM area.
- Canoeing opportunity in the Great Fish River.

T 1.2.8

1.3. SERVICE DELIVERY OVERVIEW

The municipality is responsible for delivery of basic services to its community in terms of the provisions of Schedule 4 of the Constitution of the Republic of South Africa as well as Section 152 which provides for the object of Local Government which requires the municipality to provide the following:

- (a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;
- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and
- (e) to encourage the involvement of communities and community organisations in the matters of local government.

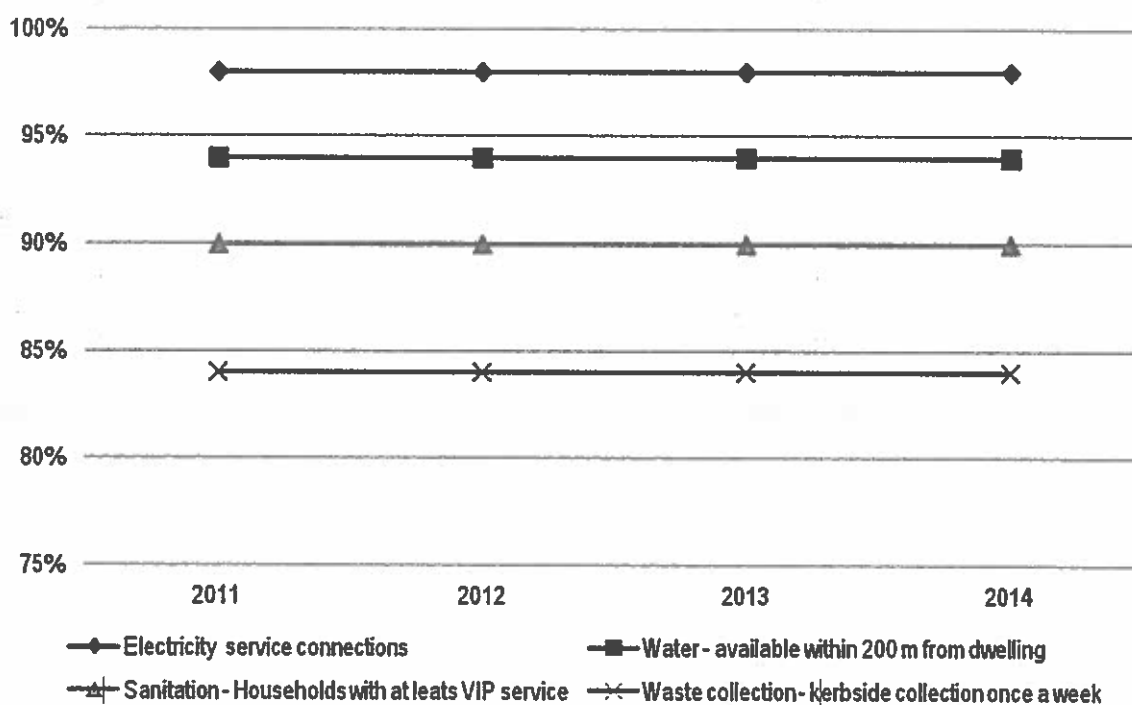
Section 152 (2) further provides that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)

Chapter 1

The Integrated Development Plan of the municipality is therefore prepared in line with the provisions of the said Act and all other legislative mandates to ensure service delivery to the constituent communities.

T 1.3.1

Proportion of households with access to basic services (based on Census 2011)



T 1.3.2

Shortfalls identified in the services provided as per the graph above

Water

Whilst this is currently a function completely within the jurisdiction of Chris Hani District municipality the following remains worth noting

Rehabilitation of the bulk water infrastructure and reticulation networks will have to be attended to as a matter of urgency as it has by far exceeded its lifespan. This results in water losses that exceed acceptable levels due to leakages. Water storage and treatment capacity require expansion to meet the increasing demand. Middelburg unit solely relies on ground water and currently ground water levels are at their lowest, posing a serious challenge to the municipality. A lasting solution is required and this can only be achieved by drawing water from Fish River Scheme. This is a huge project which even the District council as a WSA cannot undertake alone as the project is estimated to be above R100 million. Rosmead is the area which needs serious attention in terms of up to the erf water

Chapter 1

provision as is the norm in all other areas in the municipality. The completion of land transfer from Transnet needs to be finalized first before projects can be implemented in this area. A Water Service Master Plan is required to take informed decisions in addressing the challenges.

Sanitation

Whilst this is currently a function completely within the jurisdiction of Chris Hani District municipality the following remains worth noting

- Rehabilitation of the bulk sanitation infrastructure and reticulation networks will have to be attended to as a matter of urgency as it has by far exceeded its lifespan.
- This results in constant sewer blockages and spillages.
- Waste water treatment and refurbishment capacity require expansion to meet the increasing demand.
- Rosmead is the area which needs serious attention in terms of sanitation services as is the norm in all other areas in the municipality.
- Rosmead which is still owned by Transnet still poses a challenge as it is the only area where the deadline of removing buckets by 2007 could not be met.
- In this respect the process of transfer of land to the beneficiaries/municipality should be sped up.

Electricity

The electrical infrastructure requires serious and urgent attention as the municipality is currently unable to meet the increasing current demands. Cradock unit is currently experiencing serious power supply shortcomings due to limited capacity levels. This is happening at a time when the area is experiencing an influx of people wanting to invest and local developers wanting to develop the area and the oncoming huge Sugar Beet Project.

Waste management services

Shortage of equipment is a major challenge as the equipment that is used is old 1978 - 2001 models of which parts are no longer available and while a vehicle is out of order employees are to work unnecessary overtime to cover the areas. Tractors that are already irreparable are in use and taking longer time to get to the disposal site.

The maintenance cost that is high due to the condition that our equipment is in could be utilized for improving the service.

Landfill sites of both units do not have proper machinery to compact the waste. The minimal work done on landfill sites is never going to reach the maximum effectiveness of a properly operated landfill site as according to N.E.M.A. although the plan is available.

Continued littering of garden refuse and other household material is fast becoming a norm and is a serious concern in most of the wards as this creates unsightly, unregulated dumping sights which also pose a health risk. Properly regulated temporary dumping sites with the necessary facilities are required for each ward. Waste disposal sites in both units are operated without the requisite licenses which is a serious non compliance issue from auditors.

Chapter 1

Roads and stormwater

An urgent need exists to upgrade access and collector roads, more particular in the newly established areas. Proper storm water channels are non-existent in the previously disadvantaged communities. The condition of the roads throughout the municipality is a serious cause of concern as this affects access to the communities of essential emergency services such as ambulance services and even the police cannot reach some of these areas. As the result of poor maintenance over the years due to cash flow problems, even those roads thought to be in a fair state are fast deteriorating. The condition of our plant vehicle and equipment further exacerbate the situation.

Housing

There is adequate land within the urban edge that is Municipally-owned land and availability for housing is not a constraint. The problem is with rural land, which is privately owned and therefore has to be negotiated with the private landowners (HSP 2009). The municipality has identified land problems in Rosmead, Mortimer and Fish River.

Social Infrastructure – Health Facilities

- Worth mentioning are the long distances traveled to access health facilities in particular by the elderly. In some areas there is a clear need for mobile clinics.
- The delivery of this service is hampered by insufficient clinic staff and lack of medicine in all the clinics. The grey area around transfer of Environmental Health to the District poses another challenge in terms of accountability of staff and general confusion in the community as it happened in the past with ambulance services.
- As both the Primary Health Care and Environmental Health has been transferred to province and district respectively the community is still confused about this arrangement.

T 1.3.3

Chapter 1

1.4. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

Inxuba Yethemba Municipality (IYM) is a low capacity municipality that generates above 75% own revenue and the rest of the income comes from the government grants to fund the operating expenditure of the municipality. IYM has an old infrastructure as far as the provision of basic service delivery is concerned and a lot of operating expenditure is utilized for the maintenance of this infrastructure and other operational requirements. The municipality is responsible for the provision of these basic services in Cradock and Middleburg and some of these are Electricity, water and sanitation, and refuse removal.

The municipality embarked on a Revenue Enhancement Programme to improve its financial viability and the 3 year contract with PwC has expired with no significant improvement. The cash flow problem has been plaguing the municipality for a while and one of the reasons has been the fact that IYM has not been efficient in gathering the correct information in determining how many people can pay and how many people are not able to pay due to the socio economic issues.

2. T 1.4.1

FINANCIAL OVERVIEW: YEAR 2014 - 2015

Details	Original Budget	Adjustment Budget	Actual
Income			
Grants	43098	43098	43212
Taxes, Levies and Tariffs	125558	126962	134042
Other	63269	33304	51092
Sub Total	231925	203364	228346
Less : Expenditure	200104	235014	236899
Net Total*	31821	-31650	-8553
Note: <i>suplus(Deficit)</i>			T 1.4.2

Chapter 1

Operating Ratios	
Detail	%
Employee Cost	29%
Repairs and Maintenance	2%
Finance Charges & Impairment	0
	T 1.4.3

3. COMMENT ON OPERATING RATIOS:

The Employee Costs were 28% of the Operational Expenditure. This is below 30% of total operating cost which is a norm. This figure has come down in recent years as at one point it was approximately 50% of the total operating costs. The Repairs and maintenance are well below the norm of 20%.

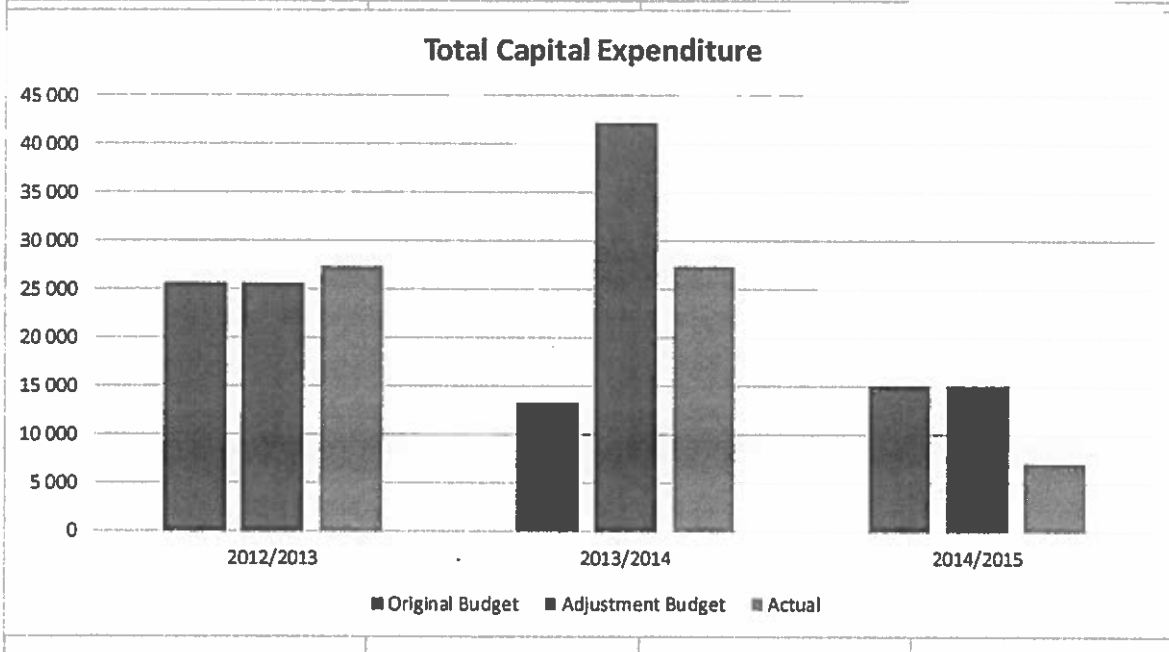
Inxuba Yethemba municipality has a very low revenue base and it has minimal reliance on government grants. This inadvertently means that the municipality has to do more with very little. This expenditure also only includes the price of material and excludes the price of labour which has been included as part of the Employee related costs.

Most of the repairs are done internally and hence that is why there is minimal spending on this item. The finance charges are negligible in terms of the amount spent. This is due to the fact that the Long Term Loan from DBSA owed by the municipality is nearly coming to an end. It is therefore well below the norm of 10%.

4. T 1.4.3

Chapter 1

TOTAL CAPITAL EXPENDITURE : YEAR 2012/2013 TO YEAR 2014/2015			
Details	2012/2013	2013/2014	2014/2015
Original Budget	25 728	13 310	15 214
Adjustment Budget	25 619	42 315	15 214
Actual	27 398	27 398	7 040
			T 1.4.4



COMMENT ON CAPITAL EXPENDITURE:

The MIG projects could not be completed on time resulting in an under spending. A roll over has been applied for in order to complete this project in 2015/16

T 1.4.5

AUDITOR GENERAL REPORT: 2013 - 2014

The municipality received a disclaimer audit opinion with "other matters" in the prior financial year. The financial statements of Inxuba Yethemba Municipality were too deficient in essential detail for the Auditor General to form an opinion as the Auditor General was unable to obtain appropriate audit evidence as the Annual Financial Statements was without accurate and complete underlying accounting records

T 1.4.6

Chapter 1

5 ORGANISATIONAL DEVELOPMENT OVERVIEW

In the previous financial year job descriptions were written for certain posts more so for those posts regarded as section posts in the municipality. The process of job evaluation was expected to have commenced in by December 2014, however because of the structural arrangements, namely that we belong to a district structure, the project has not be able to take off the ground under the auspices of Chris Hani District Job Evaluation Committee. This process is to ensure labour stability and assign proper job grades in line with TASK System which has been adopted in the local government sector. This will also assist in giving correct salary attachments to the post as per the outcomes of the evaluation process. We the process of evaluation will begin early in the coming financial year. The Corporate Services Manager is the assigned EE Manager as per legislation and works together with the Labor relation Officer, the EE Committee and the Local Labour Forum.

Cascading of PMS is still a challenge, however, the Policy on Cascading of PMS has been adopted by Council in May 2015 and the next step is to implement a phased in approach as from July 2015 as we envisage that this will take the form of a step by step approach, namely, functionaries below section 55 and 56 managers will be the first to be targeted and it will unfold in that sequence going forward. There is a function Local Labour Forum and HR policies are developed and reviewed as and when affected parties identify a need to do so through discussion in the LLF. There were also new policies like Employee Assistance Programme, Occupational Health and Safety and PMS Cascading policies. We have an adopted HR Plan by Council which we need to move to the implementation stage as it was adopted in 2012 and deals with issues of training and development, succession planning etc.

T 1.5.1

COMMENT ON THE ANNUAL REPORT PROCESS:

The annual report process is important in order to ensure that there is sufficient time and co-ordination to ensure that an Annual Report, Budget and IDP are completed and adopted within the legislated timeframes. This enables proper planning in order to ensure that enough resources are pulled together to ensure the successes of the above mentioned. The municipality tried to adhere to these timeframes even though it was not always possible. This ensured at least that the compliance matters were dealt with however there were instances where the poor planning made it difficult to achieve these with ease. The IDP and Budget were not always aligned due to this and there have been some discrepancies identified in the past.

It is hoped that in future this will be adhered to in order to ensure the smooth running of the process.

T 1.7.1.1

Chapter 1

A. STATUTORY ANNUAL REPORT PROCESS

N o.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

T 1.7.1

Chapter 2

CHAPTER 2 – GOVERNANCE

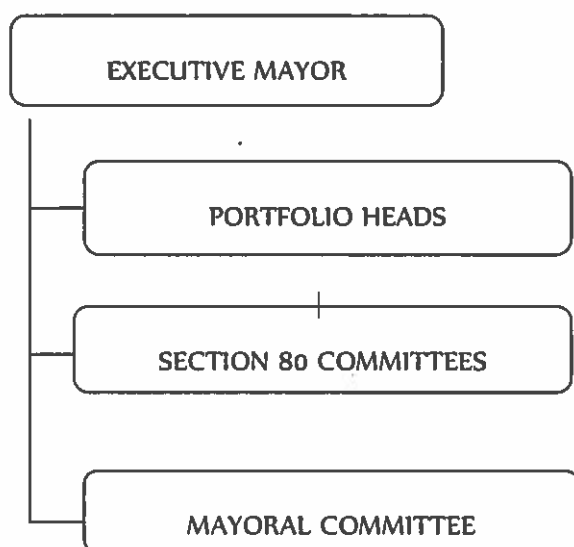
INTRODUCTION TO GOVERNANCE

Inxuba Yethemba Municipality is a category B municipality with an Executive Mayoral Governance System. The Executive Mayor is fulltime and is assisted by 4 Mayoral Committee members with each heading a portfolio committee. Other than the mayor only the Speaker and portfolio head (Chief Whip) Corporate Services are fulltime. The mayoral committee members chair the respective section 80 committees. The municipality has the following portfolio committees, Corporate Services, Community Services, Technical and Local Economic Development Services and Financial Services.

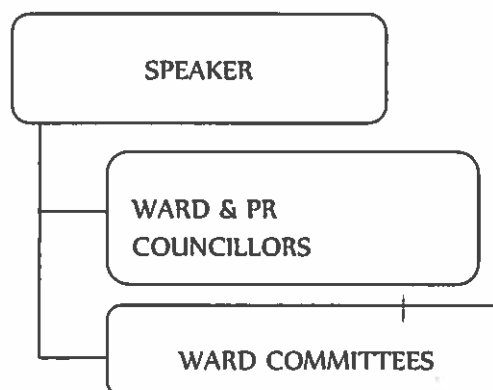
The executive mayor presides over the mayoral committee which has scheduled monthly meetings with municipal manager and managers accounting directly to him in attendance.

The Speaker is the Chairperson of council and is responsible for overseeing the functioning of Council and its committees. The office of the Speaker is further responsible for the establishment and functioning of ward committees.

Executive Structure of Council



Legislative Structure of Council



Chapter 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Executive Mayor is the Political Head of the institution. The Mayor is supported by 4 members of the Mayoral Committee and the Speaker.

The Municipal Manager is the Head of the Administration and reports to the Executive Mayor. The administration is comprised of 5 departments headed by managers appointed in terms of section 56 Municipal Systems Act as amended.

T 2.1.0

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

Inxuba Yethemba Municipality has a shared Audit Committee service of the Western Cluster of Chris Hani District municipality. This audit committee which covers performance audit as well covers Tsolwana, Inkwanca together with Inxuba Yethemba municipalities. The audit committee consist of 4 members with 2 appointed in February 2015 and the chairpersons contract extended with further 3 years.

The municipality has a Municipal Public Account Committee (MPAC) comprised of non-executive councillors established in terms of section 79 of the Municipal Structures Act, Act 117 of 1998. The MPAC serves as an oversight committee of council and provides comments and recommendations to the annual report.

T 2|1.1

POLITICAL STRUCTURE



EXECUTIVE MAYOR
Mrs NC Goniwe

FUNCTION

Section 56 of the Local Government Structures Act, Act No 117 of 1998 states that the Executive Mayor is entitled to receive reports from committees of Council of the municipal council and to forward these report together with a recommendation to the council when the matter cannot be disposed of by the executive mayor in terms of the Executive Mayor's delegated powers.

The Executive Mayor must identify the needs of the municipality, review and evaluate those needs in order of priority, recommend to the municipal council strategies, programmes and services to address priority needs through the integrated development plan and the estimates of revenue and expenditure, taking into account any applicable national and provincial development plans.

Chapter 2



SPEAKER
Mr S. Masawe

FUNCTION

The Speaker presides at Council Meetings. After the demarcation process in 2011 the Council consists of 18 Councillors nine (9) ward councillors and nine (9) proportional representative councillors.

The Speaker performs the duties and exercises the powers delegated to the Speaker in terms of section 59 of the Local Government 59 of the Local Government: Municipal Structures Act, Act 117 of 1998.



CHIEF WHIP
N Mzinzi

FUNCTION

As a Chief Whip of the majority party in council she is in charge of caucuses of the party

MEMBER OF THE MAYORAL COMMITTEE: CLR. N MZINZI
Portfolio Chairperson:
Corporate Service
Function

As Mayoral Committee Member Cllr Mzinzi conducts an advisory and support role towards the Executive Mayor and a mandatory role is to the Department Corporate Services consisting of, Human Resources and Administrative Governance and Committee Services



MEMBER OF THE MAYORAL COMMITTEE: CLR. L DAVIDS
Portfolio Chairperson: Finance
Function

As Mayoral Committee Member Cllr Davids conducts an advisory and support role towards the Executive Mayor and a mandatory role is to the Department Finance responsible for financial viability of the institution.



MEMBER OF THE MAYORAL COMMITTEE: CLR. T BOBO
Portfolio Chairperson:
Community Service
Function

As Mayoral Committee Member Cllr T Bobo conducts an advisory and support role towards the Executive Mayor and a mandatory role is to the Department Community Services responsible for provision of community services.

Chapter 2

MEMBER OF THE MAYORAL COMMITTEE: CLR. L ZIZI

Portfolio Chairperson:
Technical and LED Services
Function

As Mayoral Committee Member Cllr Zizi conducts an advisory and support role towards the Executive Mayor and a mandatory role is to the Departments Technical Services and LED and entails maintenance and development of infrastructure and development of local economy.

AUDIT COMMITTEE

Mr Theophilus Irion
(Chairperson)
Ms S Du Toit (Member)
Ms A Kundishora (Member)
Mr Tshoko (Member)

COUNCILLORS

The council is comprised of eighteen (18) councillors with 9 being ward councillors and 9 proportional representative (PR) councillors allocated different responsibilities within council. There are only two political parties represented in council as follows:

1. African National Congress (ANC) with 12 councillors
2. Democratic alliance (DA) with 6 councillors

The following are Inxuba Yethemba representatives to Chris Hani District Municipality:

Councillor N C Goniwe
Councillor F Erasmus

Refer to **Appendix A** where a full list of Councillors can be found.

Also refer to **Appendix B** which sets out committees and committee purposes.

T 2.1.2

POLITICAL DECISION-TAKING

The process flow for council resolution is that matters are discussed in the relevant standing committee which submits recommendations to council where resolutions are taken. In between council meetings the mayoral committee takes decisions except for matters which cannot be delegated by council and these decisions are ratified by council. Implementation of council and mayoral committee resolutions are reported at each subsequent meeting.

T 2.1.3

Chapter 2

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the head of administration in terms of Section 55 of the Local Government Systems Act and is responsible and accountable for the formation and development of an economical, effective, efficient and accountable administration equipped to carry out the task of implementing the IDP, operating in accordance with the Municipality's budget and performance management system and responsive to the needs of the community to participate in the municipality's affairs. This is achieved through the cooperation of different departmental heads responsible for different functions.

The management of the municipality (departmental heads) is responsible for:

- The provision of services to the community in a sustainable and equitable manner;
- The appointment, training and discipline of staff;
- The administration and implementation of municipal by-laws, policies and strategies;
- Accountability and management of all income and expenditure of the municipality; and
- Compliance with all legislation governing local government.

The structure to execute these functions comprises of the following:

- Community Services Department;
- Corporate Services Department;
- Technical Service Department;
- Local Economic Development Department; and
- Finance Department.

All the above remain the responsibility of the Accounting Officer, the implementation thereof is the responsibility of the departmental heads, who report directly to the Municipal Manager.

T 2.2.1



**TOP ADMINISTRATIVE STRUCTURE
TIER 1
MUNICIPAL MANAGER**

M S TANTSI (MR.)*

Function

The Municipal Manager fulfills a mandate of accountability through the implementation of strategies, programmes and projects guided by the objectives and key performance of human resources aspiring to creating a sound administrative institution which is financially sustainable in providing a service delivery initiative to the community of Inxuba Yethemba

Chapter 2

TIERS 2 AND 3



MANAGER:
Local Economic Development

L JOJIYASI (MR.)*

To provide a conducive environment for local economic development and maximising the tourism and agricultural potential of the area

MANAGER:
Corporate Services

B T SIGENU (MR.)*

To ensure institutional Development and transformation

MANAGER:
Community Services

N MAJIBA (MRS.)*

To provide community services in the municipal area



ACTING MANAGER:
Technical Services

M SIPUNZI (MR.)*

To maintain and develop infrastructure in the municipal area

: ACTING CFO
Chief financial services

E CROUSE (MRS.)*

To ensure a financially viable institution that meets its service delivery and other obligations in a sustainable manner

Note: * denotes officials on fixed term performance contracts reporting to the T2.2.2 Municipal Manager under the Municipal Systems Act Section 57.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Intergovernmental relations build cooperation among the different spheres of government and between government agencies and partners and partners in development. It also forges a seamless government working together to serve the people better and effectively.

Chapter 2

The IGR activities may include:

- Planning and Budgeting: Planning between stakeholders for a common objective
- Consultations: among different spheres of government
- Information sharing: building knowledge and cohesion
- Reporting: reporting to relevant stakeholders as may be prescribed

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

Inxuba Yethemba municipality is a local municipality and unfortunately cannot participate in legislated National IGR structures.

T 2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The municipality attends participates Technical and Political Munimec (Municipalities and MEC) meeting which are arranged quarterly by COGTA EC. The Chris Hani district municipality also convenes District Technical IGR meetings and District Mayors Forums (DIMAFO) to coordinate Intergovernmental Relations at the District level.

The municipality has not been successful in coordination local IGR structure largely due to non-attendance by the government departments at the local level. The municipality will continue reviving the local IGR structure.

T 2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

The municipality does not have active entities (except for Motlie which has been dormant since 2008 and is in process of deregistration) at the local level.

A complete list of entities and delegated functions should be set out in **Appendix D**.

T 2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

The Chris Hani district municipality also convenes District Technical IGR meetings and District Mayors Forums (DIMAFO) to coordinate Intergovernmental Relations at the District level. As the municipality we contribute by submitting items for discussion in particular matters that have a direct bearing to the local level. The municipality has not been successful in coordination local IGR structure largely due to non-attendance by the government departments at the local level. The municipality will continue reviving the local IGR structure.

T 2.3.4

Chapter 2

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

There are systems in place promoting accountability, participation by public as well as informing the public. This is largely achieved through reporting in public meetings, notices in the local press and notice boards, asking for commentary and objections before some transactions involving land use or policy development affecting the public.

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

As mentioned in the overview there are public meetings which are held at ward level by the respective ward councillor to report, share information and receive feedback from the community. It must however be mentioned although they should ideally follow the annual schedule of meetings as adopted by council, there are instances where the schedule is not followed to the latter.

The IDP forums have proven to be very much successful as evidence by attendance figures and the level of participation during discussions in these forums. There were also stakeholder specific meetings such as reviving the LED forum and attempts to establish transport forum.

T 2.4.1

WARD COMMITTEES

Refer to **Appendix E** which contains further details on ward committee.

T 2.4.2

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

The Ward Committee System is in place and the Office of the Speaker is responsible for the functioning of the Ward Committees. Generally Ward Committees function within wards to deal with issue that affect their wards in an effort to assist the Ward Councillors to deal with challenges in the ward. Mainly they deal with issues of development in wards as well as to deal with how to channel

Chapter 2

complaints from the ward to the municipality. The other issue here is that of public participation and a post of Public Participation Officer has been budgeted in the organogram for 2015/16 financial year.

PUBLIC MEETINGS

Nature and purpose of meeting	Date of event	Number of participating Municipal Councillors	Number of participating Municipal Administrators	Number of community members attending	Dates and manner of feedback given to community
Ward 4 complaints: water leaks, cutting of trees, leaking taps etc. The minutes submitted reflect that almost same issue are discussed, namely complaints	July 2015, October 2015 May 2015	One	None	No attendance register attached	Managers affected by complaints respond to MM
Ward 5: Mayoral Outreach, Chris Hani DM Water Services issues, Bingo license application, water leaks, street lights, illegal dumping etc.	July 2014	One	None	No attendance register attached	Managers affected by complaints respond to MM
Reports by CDW and Ward Councillor, indigent applications, Communication	November	One	None	No attendance register	Complaints are circulated to affected managers and they report back to MM

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Strategy, War on poverty, trucks in CBD, water leaks, etc.	2014			attached	
Reports by CDW and Ward Councillor, non-receipt of accounts, pot holes, dysfunctional municipal workshop, water leaks, sewerage spills, street lights not working, etc.	June 2015				
Ward 1: housing rectification, electricity high mast project, land issue, nomination of Ward Comm.	16 April 2015	One	None	30	Tabled as agenda items to the relevant standing committee
Ward 3: Hospital Board, NEHAWU, CDWs	31 July 2014:	One	None	47	Escalated through Council structures
Destitute households, RDP houses rectification, toilet leakages	05 August 2014	One	None		Escalated through Council structures
Budget meeting	29 April 2015	One	None	45	Issues to be considered during the IDP process
Ward 2: dumping sites, maintenance of streets and storm	03 October	One	None	117	Escalated through Council

Chapter 2

water drainage, library, parks and recreational facilities, Halls and sports fields, Garden of Remembrance	2014				structure
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T 2.4.3.1

2.5 IDP PARTICIPATION AND ALIGNMENT

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

T 2.5.1

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Inxuba Yethemba municipality as a sphere of government is bound by the prescripts of the supreme law of the country, the Constitution. The Constitution clearly articulates the objects of local government which are:

- To provide democratic and accountable local government to communities
- To ensure provision of services in a sustainable manner
- To promote social and economic development

Chapter 2

- To promote a healthy and safe environment
- To encourage involvement of community and community organisations in the matters of local government

In ensuring that the council delivers on its constitutional mandate the following mechanisms amongst others need focus:-

- Clear Risk Management strategy implementation to enable timely identification of risks and threats which might impede achievement of goals so that these can be mitigated
- Promotion of Anti-Fraud and Corruption strategy to promote ethical behaviour
- Ensuring a Supply Chain Framework and policy for procuring goods and services at best value for money whilst supporting local economy

T 2.6.0

2.6 RISK MANAGEMENT

RISK MANAGEMENT

MFMA section 62 (i) (c) requires a municipality to have and maintain an effective, efficient and transparent system of risk management. T 2.6.1

The top five risks identified at the Inxuba Yethemba local municipality level is as follows:

1. Disruption of services as a result of old and dilapidated infrastructure.
2. Loss of revenue as a result of inaccurate inventory balances, planning and non-coordination of activities by the departments.
3. Poor performance as a result of inadequate training regime and induction process. Poor performance due to lack of capacity and motivation and Poor staff morale.
4. Poor management of assets. Inadequate physical security over assets.
5. Poor internal controls over expenditure and procurement.

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

The municipality has a fraud prevention and anti-corruption strategy in place. Also there is a risk committee that is supposed to be dealing with these matters. However the committee has not been effective as it has not sat the meeting to deal with these issues. There have been workshops done by the District where some senior municipal officials were invited in order to be capacitated in how to deal with the fraud matters.

Also this has not been communicated with sufficient regularity to the staff and the outside stakeholders. This does need to be strengthened in order to endure that the institution is not exposed to the risk of fraud and corruption.

T 2.7.1

Chapter 2

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The municipality resolved in terms section 111 of Municipal Finance Management Act, No 56 of 2003 to have and to implement the Supply chain management policy.

The policy has been reviewed to ensure that it is aligned with new SCM regulation PPPF and other important legislative requirements.

This is to ensure that all procurement is fair, equitable, transparent, competitive and cost effective as required by the regulatory framework.

Also the staff employed in the unit have met the minimum competency requirement as they have passed the CPMD course which is a minimum competency requirement.

Inxuba Yethemba municipality has fairly new established SCM unit which is still under capacitated at the moment. This is due to the lack of funding as the municipality currently cannot afford to have a fully fledged unit. The lack of capacity has resulted in the unit not being able to fulfill its mandate and also some irregular expenditure incurred which could have been avoided. Also this meant that the procurement processes could not be co-ordinated in a matter befitting a fully fledged and capacitated unit.

Plans are being put in place to ensure that more capacity is added in order to strengthen the SCM unit.

Refer to information on long term contracts which is set out in **Appendix H**. Refer to further comments set out under the Financial Performance – Chapter 5, Component D.

T 2.8.1

2.9 BY-LAWS

By-laws Introduced during Year 0					
Newly Developed	Revised	Public Participation Conducted Prior to Adoption of By-Laws (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
None	None	Yes	None	None	None

*Note: See MSA section 13.

T 2.9.1

The last By-laws that were gazetted were in the 2012/2013 financial year. Since then the user departments have not undertaken any activity in the form revisiting their by-laws.

T 2.9.1.1

Chapter 2

2.10 WEBSITES

Municipal Website : Content and Currency of Material		
Documents published on the Municipality's Website	Yes / No	Publishing Date
Current and annual adjustments budget and related documents		
All budget related policies		
The previous annual report 2013/14		
The annual report 2014/15 published/to be published		
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act		
All service delivery agreements (2014/5)		
All long term borrowing contracts (2014/15)		
All supply Chain management contracts above a prescribed value for the year (2014/15)		
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during year 1		
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during year 0		
Public private partnerships agreements referred to in terms of section 120 made in 2014/15		
All quarterly reports in council in terms of section 52(d) during 2014/15		
T2.10.1		

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

There are computers available that community members can access the municipalities website in such locations as Vusubuntu Cultural Village, the Youth Centre and both tourist Information offices of which one is located in Cradock and one in Middelburg. The issue regarding insufficient content on the website was addressed to the Municipal Manager and an email was sent out to departments requesting this information but departments have not yet submitted the required info. Information is requested from the manager of that department and it is the responsibility of the manager to inform the staff reporting to him or her.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

A new internal complaint management system is in place. The complaint is logged into the system immediately when it is reported. It is assigned to the relevant technician for fixing. When technician attends to the complaint he logged into the system to indicate that the complaint has been attended to. Throughout the stages the complainant is informed via sms of the status of the complaint until completely addressed. This system has proven to be very much handy and useful to the customers as they know at each point how far the process of addressing the complaint is, and the community is very much satisfied with this approach. The Presidential hotline is also used for those complaints lodged at this level and most of the time our cases are resolved immediately thus maintaining between 95 to 100% status

Chapter 3

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

COMPONENT A: BASIC SERVICES

This component includes: electricity; waste management; and housing services; and a summary of free basic services.

INTRODUCTION TO BASIC SERVICES

Inxuba Yethemba Municipality is in dire need of support to provide the basic services to our communities, the addition of the Human Resources for the entire department, Plant, Vehicle and Equipment- addition of Tipper Trucks, Excavator, TLB, and Roller to assist in earthworks; and also we are in need of vehicles to be able to do our day to day operations. The above mentioned resources are more in need to assist in the Technical Services Department as the Service delivery department within the Municipality.

T 3.1.0

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Function for provision taken over by Chris Hani District Municipality which is the Water Service Authority with effect from 1st July 2014

T 3.1.1

N/A

T 3.1.2.1

N/A

T 3.1.5

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

N/A

T 3.1.10

Chapter 3

3.2 WASTE WATER (SANITATION) PROVISION

INTRODUCTION TO SANITATION PROVISION

Function taken over by Chris Hani District Municipality which is the Water Service Authority with effect from 1st July 2014 T 3.2.1

T 3.2.5

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

T 3.2.10

3.3 ELECTRICITY

INTRODUCTION TO ELECTRICITY

The Technical Services Department provides the service within the municipality. The Electrical Services is the section within Technical Services headed by the Chief Electrical Services and has electricians under his supervision who are doing the actual work on site.

All Capital projects are done internally by the municipality with the assistance of appointment of Professional Service Providers in order to develop business plans, management, designs and supervision of those capital projects. The section also assist in the operations and maintenance of all operations within the department, the management and supervision of all substations and the network at large. The section is short of resources like human resource, vehicles, plant and equipment due to lack of funding, the capital funding comes from the department of energy through submitting of business plans and applications. All operations and maintenance of all substations and networks are done through the operational budget of the municipality.

The municipality has a big challenge of dilapidated network which needs an urgent attention but unfortunately as the municipality we are being regarded as those municipalities that has no backlog and we are struggling a lot with lot of outages as we don't meet the criteria used by DOE that they only fund municipalities with backlog yet our network cannot cope with the existing load and new developments and this concern has been sent to DOE for consideration.

T 3.3.1

Chapter 3

Electricity Service Delivery Levels				
Description	Households			
	2011/12 Actual No.	2012/13 Actual No.	2013/14 Actual No.	2014/15 Actual No.
Energy: (above minimum level)				
Electricity (at least minimum service level)	14,903	14,903	14,903	14,903
Electricity – prepaid(minimum service level)	14,903	14,903	14,903	14,903
<i>Minimum Service Level and Above sub-total</i>	14,903	14,903	14,903	14,903
<i>Minimum Service Level and Above Percentage</i>	94.3%	94.3%	94.3%	94.3%
Energy: (below minimum service level)				
Electricity (less than minimum service level)	908	908	908	908
Electricity – prepaid(< minimum service level)	908	908	908	908
Other sources of energy	–	–	–	–
<i>Below Minimum Service Level and Above sub-total</i>	908	908	908	908
<i>Below Minimum Service Level and Above Percentage</i>	5.7%	5.7%	5.7%	5.7%
Total number of Households	15 811	15 811	15 811	15 811

Chapter 3

Households - Electricity Service Delivery Levels below the minimum						
Description	2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014		
	Actual	Actual	Actual	Original Budget	Adjusted Budget	Actual
	No.	No.	No.	No.	No.	No.
Formal Settlements						
Total households	14,903	14,903	14,903	R 58,994,153.55	R 58,790,078.92	15,811
Households below minimum service level	-	-	-	-	-	-
Proportion of households below minimum service level	0%	0%	0%	0%	0%	0%
Informal Settlements						
Total households	908	908	908	R 3,565,924.45	R 3,553,589.08	15,811
Households below minimum service level	908	908	908	R 3,565,924.45	R 3,553,589.08	-
Proportion of households below minimum service level	100%	100%	100%	100%	100%	0%
						T 3.3.4

Chapter 3

Electricity Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	Year 2012 - 2013		Year 2013 - 2014		Year 2014 - 2015		Year 2015 - 2016	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
		"Previous Year" (iii)	(iv)	"Previous Year" (v)	"Current Year" (vi)	"Current Year" (vii)	"Current Year" (viii)	"Current Year" (ix)	"Following Year" (x)
(i)	(ii)								
To ensure that all communities receive adequate and uninterrupted supply of electricity.	14903	908	908	908	908	908	908	908	908
Ensure adequate street lighting so as to provide safety and security in the community.									
<p>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. "Previous Year" refers to the targets that were set in the Year -1 Budget/IDP round; "Current Year" refers to the targets set in the Year 0 Budget/IDP round. "Following Year" refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management arrangement by municipalities in which IDPs play a key role.</p>									

Chapter 3

Financial Performance Year 2013 - 2014: Electricity Services					
Details	Year -2012/13	Year 2013/14			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	67,736	79,298	81,470	81,520	3%
Expenditure:					
Employees	3,554	3,833	4,634	4,811	20%
Repairs and Maintenance	1,348	1,692	1,747	1,403	-21%
Other	51,284	57,035	55,962	47,169	-21%
Total Operational Expenditure	56,186	62,560	62,343	53,383	-17%
Net Operational Expenditure	(11,550)	(16,738)	(19,127)	(28,137)	41%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.3.7

Capital Expenditure Year 2013 - 2014: Electricity Services					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Michausdal Dedicated Feeder Line	1,400	1,400	1,825	23%	1,400
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).					T 3.3.8

COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

All operational projects like day to day maintenance of networks and substations are done through the maintenance budget and all capital projects are funded by the Department of Energy through applications and submission of Business and that is subject to their approval. All the electricity within the municipality is supplied by the municipality except Lingelihle supplied by ESKOM and the municipality is in the process of convincing Eskom to handover the supply of the township to the municipality.

Due to the development of the area of Cradock the municipality is experiencing a lot of electricity outages due to overload and is in the process of implementing the Michausdal dedicated feeder project which will be funded internal by the municipality and it will assist to bust the capacity of electricity. The municipality upgraded the Middelburg substation through funding by the Department of Energy and the project has been completed successfully which has yielded positive results as it can be seen there is more stability in Middelburg in terms of electricity supply. We have applied for funding from DOE for the year 2015/16 to do the same upgrading for Cradock substation in order to improve and achieve adequate capacity.

3.3.9

Chapter 3

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

Waste Management is the removal of waste from the households businesses and the industrial areas by making use of municipal compactor trucks and personnel; waste is then disposed of at the waste landfill site. The waste disposal site should be constructed in such a way that it reduces nuisance. The waste generators are later charged according to the waste generated per month. The tariffs are determined during the budget process including inputs from the community members.

Refuse collection

Refuse collection is done on a weekly basis. Each household receives four bin liners each month. The bin liner is filled with household waste and placed at the street verge for collection at a known day of the week. Municipal truck with employees picks up the waste and transports it to the disposal site.

Waste disposal and waste disposal site

There are two waste disposal sites, one is in Cradock and another is in Middelburg. Both these disposal sites are not licenced and do not meet the NEMA requirements. The Cradock and Middelburg disposal sites are in the process of closure and rehabilitation. The Cradock site possesses more risk to the environment and the latest geological report has concluded that it needs to be closed and rehabilitated. This site has been identified as rocky and it will be very expensive to be used for an extension of the existing unlicensed site.

The Middelburg disposal site is filled to be used until the calls are used completely and no extra calls may be opened for disposal of the waste. The Cradock Disposal site is fenced but there is no impact as the community members are using any space to deposit all over the place rendering a negative effect to the water courses nearer the site.

Street sweepers and cleaning

The street sweepers function forms part of the refuse removal and the cleanliness of our towns. The street sweepers are permanently placed at strategic areas of the central business district to pick up papers, empty refuse, bins and dewed if there are overgrown areas where they are placed. The street sweepers work seven days of the week and weekends are paid to them as overtime. This team is the pride of our institution as compliments from tourist are received acknowledges the clean central business districts.

Recycling and cooperatives

There are two cooperative that are doing recycling in the Inxuba Yethemba area of jurisdiction. One is in Middelburg and is operating very well. The cleanliness in the area shows that the cooperative is progressing. The Ikamvalethu recycling cooperative that has been funded by Social Development has not progressed at this stage. They started through the assistance of the Middelburg Waste recycling project.

The purpose was to transfer skill until they are capacitated enough to run their own cooperative. Ikamvalethu was also getting a stipend through EPWP project for a period of twelve months. They started having problems after the funding was transferred to their bank accounts by Social

Chapter 3

development and each person waited to be the treasure all efforts that were made by the Manager Community Services to resolve their problem never reaped any fruits. The Social Development was also not giving enough to the solution of Ikamvalethu cooperatives.

Waste management awareness campaigns

The department of environment affairs has appointed Ikamvalethu consultants to do environmental impacts assessments for the Cradock and Middelburg disposal sites. The department also appointed a total number of 14 youth to assist the municipality in the anti-litter campaign (COKISA PROJECT) other members of COKISA are sorting waste at the disposal site for the waste to be baled by the Ikamvalethu. COKISA youth is doing door to door awareness campaigns informing the communities about the dangers of illegal dumping and financial spin offs of recycling.

Bylaws relating to waste management

Inxuba Yethemba has promulgated by law that relate to waste management by law enforcement officers do exist in the protection services section but due to cash flow challenges they could not be appointed.

Measures to be taken to improve performance recycling in Cradock

As the Cooperative in Cradock is not progressing well, the Manager Community Services need to regroup the members of the cooperative to reduce confrontation. This will be followed by including the COKISA youth in recycling. School in Cradock are to be part of recycling, getting them skip containers to collect and sell to the cooperatives. Learners are to sort waste at home reducing the refuse taken to the waste disposal site. Ikamva Consulting has applied for the closure and rehabilitation of the Cradock disposal site. The identification of the two optional sites for Cradock as the old site cannot be is identified including the municipal town planning section through special Development Framework of the Municipality.

T 3.4.1

Solid Waste Service Delivery Levels		
Description	Households	
	2013/14 Actual No.	2014/15 Actual No.
Solid Waste Removal: (Minimum level)		
Removed at least once a week	16 000	16 000
Solid Waste Removal: (Below Minimum level)		
Removed less Frequently than once a week (Rosmead)	204	204
		T 3.4.2

Chapter 3

The total number of household that are serviced are 16,000 and the illegal dumping is also to be reported that the building rubble and gardens waste is collected occasional using the TLB and front end loader per need in all wards. There is no area in the Inxuba Yethemba with informal settlements.

Waste Management Service Policy Objectives Taken From IDP

1. *Provision of weekly collection per household*
 - No waste collection failures for the past 4 years. Illegal dumping that needs awareness campaign that is assisted by the COKISA project. Failure that is identified is the law enforcement.
2. *Failure capacity of existing and earmarked waste disposal sites*

Cradock landfill sites:

- The Cradock site has been identified for closure and rehabilitation. Identification of another site is of utmost important in the coming three years.

Middelburg landfill:

- The landfill site will be used in the next three years but no new cells are to be opened. The distance between Cradock and Middelburg makes it necessary to plan for the new disposal sites for both towns.
3. Proportion of waste that is recycled: Unknown
 4. Proportion of site that is in compliance with NEM 1989: None

Comment on waste management services performance overall

There are no capital projects in the waste management in the 2013/14 financial year. The 5 year target cannot be attained within the approved budget provision unless the revenue collection is enforced or improved.

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Financial Performance Year 2013/14: Solid Waste Management Services					
Details	Year -2012/13	Year 2013/14			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	13,832	13,838	13,834	14,767	6%
Expenditure:					
Employees	5,123	5,514	5,414	5,369	-3%
Repairs and Maintenance	315	269	518	532	49%
Other	4,553	1,504	1,412	3,205	53%
Total Operational Expenditure	9,991	7,287	7,344	9,106	20%
Net Operational Expenditure	-3,841	-6,551	-6,490	-5,661	-16%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual					T 3.4.7

COMMENT ON WASTE MANAGEMENT SERVICE PERFORMANCE OVERALL:

Top three services priorities

Recycling in Middelburg makes an impact to both the environmental and the poverty alleviation directly to the employees of the project and indirect to the community members selling the recyclable waste material. The weekly removal of waste from 95% of the households, making \pm 50% the Rosmead area which is not serviced. The EPWP project which focused on the environmental sector employing 200 household members. This improved our environment and give livelihood to the communities.

Challenges

Minimal budget is allocated for waste management while the visibility of waste in each street corner interferes with a better life for all. Old waste management fleet which makes it very expensive to services the fleet. Revenue enhancement or collection that affects progress. MIG funding that does not prioritise waste management. The transfer of Rosmead site to the municipality by Transnet makes it difficult to financially plan for the area of Rosmead.

Community response to poverty stricken community

All households are issued with refuse bin liners irrespective of their ability to pay for the services or not. All the open spaces that are used as illegal dumping sites are cleared occasionally by the municipal in all wards.

T 3.4.10

3.5 HOUSING

INTRODUCTION TO HOUSING

The municipality is in need of the housing development within the areas of both Cradock and Middelburg. The housing Sector Plan is under development and we believe that is going to address all

Chapter 3

the housing needs within the municipality. The housing section within Technical Services is responsible for the rendering of the service, headed by the Housing Head.

The department is working very close with the department of Human Settlement in order to improve and achieve the standard and quality of houses within Inxuba Yethemba at large. We have a big challenge of houses which were built pre 1994 as they were not built in good standard as a result we are in the process of rectifying them. Some of the post 1998 houses were not included for assessment or rectification we are in the process of doing that as the municipality. The municipality has achieved to register all its rectification projects with the department of Human Settlements and some of those projects are under construction and implementation stage.

T 3.5.1

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
2010 - 2011	15,811	14,902	94%
2011 - 2012	15,811	14,902	94%
2012 - 2013	15,811	14,902	94%
2013 - 2014	15,811	14,902	94%

T 3.5.2

Financial Performance Year 2013/14: Housing Services					
Details	Year -2012/13	Year 2013/14			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	640	792	851	845	6%
Expenditure:					
Employees	799	963	1367	1212	21%
Repairs and Maintenance	1	7	57	46	85%
Other	91	42	46	75	44%
Total Operational Expenditure	891	1012	1470	1333	24%
Net Operational Expenditure	251	220	619	488	55%
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.					T 3.5.5

COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

All capital projects are administered and implemented by the Department of Human Settlements, as the municipality we are the beneficiary of the projects and we are playing a role of identifying the land for housing purposes and we facilitate and coordinate the housing development within our jurisdiction.

The department is busy rehabilitating the informal settlement of 595 houses of Lusaka which were identified in the IDP of the municipality. The rectification 1350 Lingelihle project is also under construction. Also the contractor is about to be appointed for phase one rectification of Middelburg

Chapter 3

1700, New Housing Development projects for Kwanonzame 1000, Midros 500, Rosmed 223, Mortimer 30, Fish River 30 in design stages and the projects are expected to Started to start late 2015. Contractor is also about to be appointed for phase two Cradock 1000 rectifications. The municipality is playing a role in monitoring all the mentioned projects.

T 3.5.7

[illegible]

refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development

Chapter 3

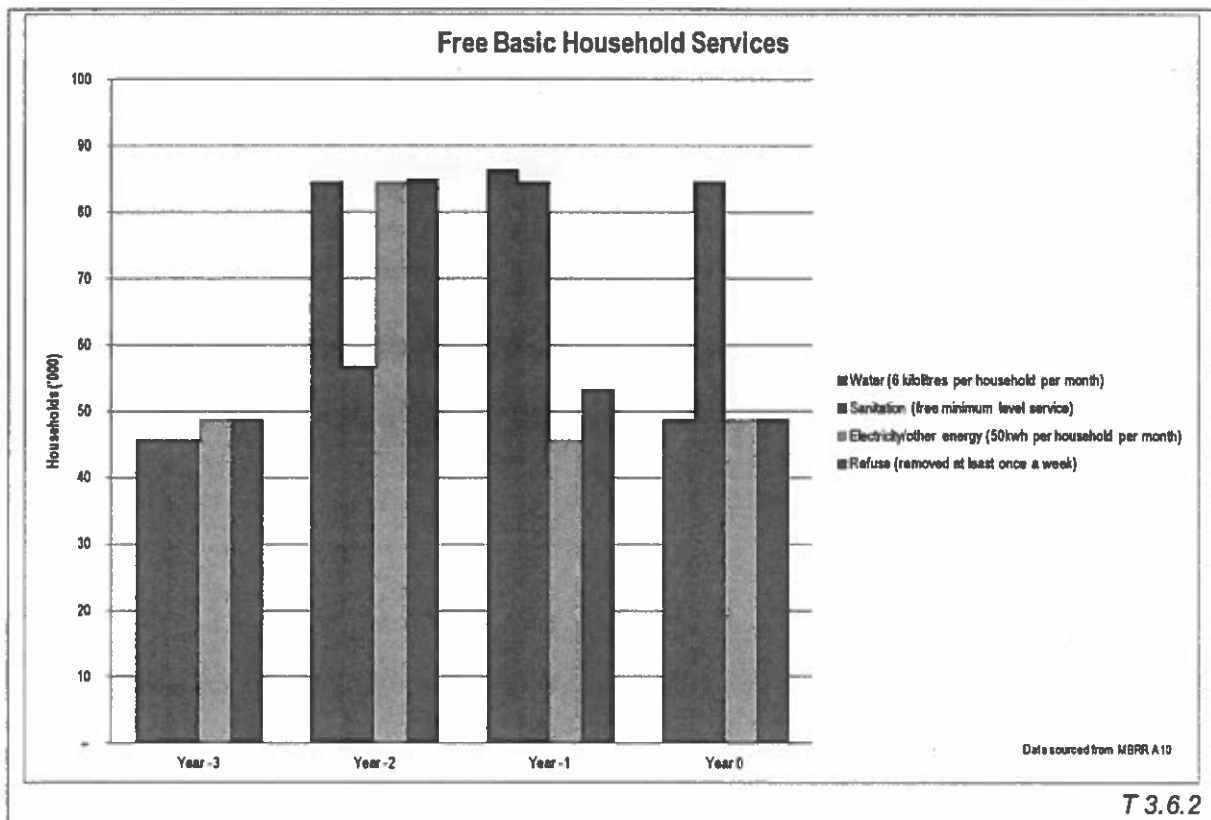
3.6 FREE BASIC SERVICES AND INDIGENT SUPPORT

INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality has an indigent policy which seeks to address the needs of the communities and it supports them by giving support on certain projects ran by the municipality like the Indigent Household Project that fixed their housing water leakages. All lists of challenges within the indigent households are submitted to the department to offer the assistance on all the free basic needs of the community.

It has also been identified that we need to engage in the verification process or an audit as it has been identified that there are people that does not belong to the lists of the indigents and they are still benefitting though they afford themselves and not within the threshold of indigents.

T 3.6.1



Chapter 3

COMPONENT B: ROAD TRANSPORT

This component includes: roads; transport; and waste water (stormwater drainage).

INTRODUCTION TO ROAD TRANSPORT

Inxuba Yethemba Municipality does not provide the bus services or BRT. The municipality needs to develop the Roads and Storm Water Master Plan which will address all the challenges regarding the storm water and roads developments at large. The project has been funded by MIG and it only needs to be implemented by the municipality.

T 3.7

3.7 ROADS

INTRODUCTION TO ROADS

Inxuba Yethemba Municipality implements all its roads projects with the assistance of appointing Professional Service Providers for the development of the Designs, Supervision, Management, Control and Monitoring of the project during the implementation stage on behalf of the municipality. Technical Services Department is responsible for the roads and storm water maintenance and management of all projects. All internal roads within all wards are being maintained using the operational budget and the resources we have like your TLB, Grader, Tipper Trucks, and Water Cart and through EPWP/LIC framework.

T 3.7.1

Tarred Road Infrastructure				
	New tar roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Kilometres Tar roads maintained
2012 - 2013	0	0	0	134.1 km
2013 - 2014	2.44 km	2.51 km	0	139.0 km
2014 - 2015	1.6 Km	0	0	140.6 km

T 3.7.3

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Cost of Construction/Maintenance				R'000		
	Gravel			Tar		
	New	Gravel - Tar	Maintained	New	Re-Worked	Maintained
2012 - 2013	0	0	400	0	0	1,679
2013 - 2014	0	10,821	422	10,821	13,846	1,500
2014 - 2015	0	10,500	2,800	8,000	0	2,800
						T 3.7.4

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Road Service Policy Objectives Taken From IDP									
Service Objectives	Outline Service Targets	2012 - 2013		2013 - 2014		2014 - 2015		2015 - 2016	
		Target		Actual		Target		Actual	
		Previous Year (iii)	Target (iv)	Previous Year (v)	Target (vi)	Previous Year (vii)	Target (viii)	Previous Year (ix)	Target (x)
(i) To completely eliminate gravel to paving, and also to ensure control of storm water through infrastructure development.	(ii) 171.56KM	0	0/2.440km	171.56km	2.440km (171.5km)	174km	2.3km (176.3km)		
<p>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development</p>									

Chapter 3

Financial Performance Year 2014/15: Road Services					
Details	Year 2013/14	Year 2014/15			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	13 151 888	14 163 420	14 163 420		
Expenditure:					
Employees	1 845 313	2 209 935	2 209 935	1 596 674	613 262
Repairs and Maintenance	1 825 538	2 274 650	2 274 650	1 305 222	534 463
Other					
Total Operational Expenditure	4 621 136	4 425 063	4 425 063	4 242 372	182 691
Net Operational Expenditure					
Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual T 3.7.8					

Chapter 3

Capital Expenditure Year 2014 - 2015: Road Services						R'000
Capital Projects	Year 2014/15					
	Budget	Adjustment Budget	Actual Expenditure	Variance from original Budget	Total Project Value	
Total All	8,500		7,107		14,35	
Lusaka Paving Project	2,000	-	2,000	-	5,000	
Fort Calata Paving Project	2,000	-	2,000	-	2,000	
Upgrading of Lingelihle Access road	2,000	-	1,107	-	4,850	
Routine road maintenance	2,500	-	2,000	-	2,500	
<i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i>						T 3.7.9

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

All our capital projects are funded by MIG and implemented by the Technical Services Department through PMU and Public Works of the Institution. The funding for the capital project is a conditional grant which need to be ring fenced by the municipality in order to achieve its goals and objectives. There are Variances within the allocation vs expenditure in some of the projects as a result of projects that were budgeted in the previous years and only implemented later and by that time there is a lot of escalation of prices.

In the last financial year we have managed to implement the following projects; Wesley Street, Miles and Cetyiwe street which are all completed and we are currently finalising the following projects; upgrading of Manana Street, Gala Street funded by MIG and we are also implementing Lusaka Paving project, Hillside Paving Project funded by CHDM.

T 3.7.10

3.9 WASTE WATER (STORMWATER DRAINAGE)

Chapter 3

INTRODUCTION TO STORMWATER DRAINAGE

All our capital projects are funded by MIG and implemented by the Technical Services Department through PMU and Public Works of the Institution. The funding for the capital project is a conditional grant which need to be ring fenced by the municipality in order to achieve its goals and objectives. There are Variances within the allocation vs expenditure in some of the projects as a result of projects that were budgeted in the previous years and only implemented later and by that time there is a lot of escalation of prices.

In the last financial; year we have managed to implement the following projects; Wesley Street, Miles and Cetyiwe street which are all completed and we are currently finalising the following projects; upgrading of Manana Street, Gala Street funded by MIG and we are also implementing Lusaka Paving project, Hillside Paving Project funded by CHDM.

T 3.9.1

The stormwater measurements and expenditures are included in roads expenditure

T3.9.2

The stormwater measurements and expenditures are included in roads expenditure

T3.9.3

Chapter 3

Stormwater Policy Objectives Taken From IDP									
Service Objectives Service Indicators (i)	Outline Service Targets (ii)	Year -1		Year 0			Year 1	Year 3	
		Target	Actual	Target		Actual	*Current Year (viii)	Target	
		*Previous Year (iii)	(iv)	*Previous (v)	*Current Year (vi)	(vii)		*Current Year (ix)	*Following (x)
To develop and complete the roads and stormwater master plan for the entire municipality.	To address all stormwater related challenges.								
<p>Note: This statement should include no more than the top four priority service objectives. The indicators and targets specified above (columns (i) and (ii)) must be incorporated in the indicator set for each municipality to which they apply. These are 'universal municipal indicators'. * 'Previous Year' refers to the targets that were set in the Year -1 Budget/IDP round; * 'Current Year' refers to the targets set in the Year 0 Budget/IDP round. * 'Following Year' refers to the targets set in the Year 1 Budget/IDP round. Note that all targets in the IDP must be fundable within approved budget provision. MSA 2000 chapter 5 sets out the purpose and character of Integrated Development Plans (IDPs) and chapter 6 sets out the requirements for the reduction of performance management</p>									

T 3.9.5

COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:

We have a huge backlog in terms of our storm water capacity as it cannot handle its function during heavy storms and the roads and storm water master plan will address the challenge.

T3.9.9

Chapter 3

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

As in most municipalities' IDPs, the challenges we face relate to socio-economic, basic infrastructure, spatial and housing issues as well as social facilities and services.

The key issues some of which are likely to have a fundamental effect on the long-term economic viability are:

- Lack of proper and up to standard roads infrastructure and storm water channeling.
- Dilapidated bulk and water network infrastructure.
- Limited capacity of water and waste water treatment plants.
- Unsustainable and unpredictable water source for Middelburg unit.
- Ageing electricity infrastructure in general and in particular limited capacity of power for future
- business development in Cradock unit.
- Inadequate street lighting with some areas requiring high masts lights.
- Lack of serviced plots for medium and high cost housing development.
- Availability of land for potential development of Emerging farmers and cooperatives.
- Land release to facilitate development and create sustainable livelihoods by parastatals such as Transnet.
- The HIV/AIDS pandemic and its impact on local demographics.
- Lack of job opportunities creating great discontent amongst the youth.
- Drug abuse with increased crime levels.
- Insufficient revenue base due to high levels of poverty.

The opportunities we offer

The N10 which is a vital economic link between Port Elizabeth and the North runs through the Municipality.

Huge tourism potential exists in the municipality.

The tourism sector plan of the municipality due for revision reflects the following contribution of tourism to the local economy:

- R20.1m in direct tourism spend.
- R52.2 m contribution to the GDP by the tourism economy.
- R76.2m total economic activity generated by tourism (i.e. total demand).
- Supports 137 jobs in the tourism industry.
- Attractive sites worth visiting such as amongst others:
 - Olive Schreiner Museum
 - Fish River Museum with Cradock 4 Gallery
 - Middelburg 3 memorial site
 - Vusubuntu Cultural Village
 - Egg Rock
 - The yet to be completed Cradock 4 Garden of Remembrance

Chapter 3

- An indelible mark left by struggle stalwarts and historical sites that are nationally recognised makes it a compelling place to visit
- The pristine Karoo environment
- Abundance of labour including semi-skilled to skilled labour
- The Inxuba River running through the underutilised Industrial Area offers opportunities for industry development.
- Agriculture offers a huge potential in the area and a lot of spin offs through beneficiation can be derived from it.
- The pending Sugar Beet project will offer a lot of other opportunities in other sectors, amongst others
 - Transport
 - Accommodation/ Housing
 - Beneficiation spin offs etc.
- Shale gas exploration will also offer positive benefits should it be successful
- Schools with a history of good results
- Sporting facilities of high standard eg. Cradock stadium with a tartan track for athletics which is currently the only one in CHDM area.
- Canoeing opportunity in the Great Fish River

3.10

Chapter 3

3.10 PLANNING

INTRODUCTION TO PLANNING

Town Planning, Land use and Building control is the section under the IPED (Integrated Planning and Economic Development) being headed by the Head Town Planner and it is responsible for the spatial planning, land use and sales, and building control within the municipality. The municipality also managed to develop the by-laws relating to Town Planning and Land use as achieved projects within the section.

T 3.10.1

Applications for land use Development				
Detail	Formalisation of Townships		Rezoning	
	2013 - 2014	2014 - 2015	2013 - 2014	2014 - 2015
Planning Application received	0	0	8	9
Determination made in year of receipt	1	0	0	0
Determination made in following year	0	0	0	0
Applications withdrawn	0	0	0	0
Applications outstanding at year end	0	0	5	3

Planning Policy Objectives Taken From IDP			
Service Objectives	Outline Service Targets	Target	Actual
Service Indicators		*Previous Year	
(i)	(ii)	(iii)	(iv)
Review the outdated Municipal Spatial Development framework	12 weeks to either approve or disapprove any land use application	Planning decision are taken from standing committee meetings which takes place every 12 weeks, its where all land use applications decisions are taken	

Chapter 3

Financial Performance Year 2014/15: Planning Services					
Details	Year 2013/14	Year 2014/15			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	153	160	-		
Expenditure:					
Employees	3837	612	612	612	0
Repairs and Maintenance	616	7385	7385	7385	0
Other	718				
Total Operational Expenditure	5171	406	406	406	0
Net Operational Expenditure	5018	406	406	406	
Net expenditure to be consistent with summary T1.5.2 in Chapter 5. Variances are calculated by dividing the difference between actual and original and the actual					T3,10.5

Chapter 3

All running projects are being funded by Department of Rural development.

T 3.10.6

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

The department solely relies on the operational budget and revenue collected from the land sales which assist in the development of the by-laws and the day to day running of the section. The following projects were identified in the IDP and submitted to the department of Rural Development for funding; Review of the Municipal Spatial Development Framework, Land Use Management System and Geographical Information System and the projects are running in the current financial year.

T 3.10.7

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

Inxuba Yethemba LED strategy was adopted by the council in March 2009 and is due for a review after July this financial year – 2014/15. The strategy is premised on a detailed analysis of the socio-economic situation in our municipality and seeks to exploit the opportunities available to the municipality.

The vision is the first step of the development of a LED strategy, following the identification of all opportunities and constraints in the situation analysis. The vision of the IYM strategy is: **"IYM is a preferred investment destination with a growing and sustainable local economy that, through partnerships, a secure environment, and equitable development, is able to provide a better life for its citizens"**.

The implementation plan of the strategy identifies Agricultural, Tourism, Commercial and industrial development as strategic sectors in which we need to focus.

There are clearly articulated objectives and strategic priorities with indicators, targets and milestones. The following are some of the objectives identified in the strategy:

- *Improve local networks by establishing and participating actively in a representative and effective Agricultural Forum in IYM by end 2009 (including commercial & emerging farmers).*
- *Increase local income retention by establishing a small fresh produce market (or padstal) for local farmers by 2012.*
- *To develop and market at least 2 new tourism products by 2010.*

Chapter 3

- To develop a brand & marketing campaign for IYM by 2009
- Develop 50 hectare industrial estate (fully serviced and zoned) by 2014
- Develop IYM Industrial Road Map by 2009 in partnership with all relevant stakeholders
- Facilitate establishment of at least 3 agro-processing investments in IYM by 2014

The data on socio-economic analysis is formed by reliable and credible data from Census 2011 and HIS Global Insight. The specific sector analysis data need to be brought up to date as reliance is currently put on somewhat outdated data of 2007/8.

Some major strategy proposals have already been implemented while others are still in the implementation phases. The Vusubuntu Cultural village is a case in point, so are the Garden of remembrance, Egg Rock (which is part of diversification of tourist sites), etc. In some respects the strategy is no longer appropriate to the existing economy because even some elements of the situational analysis have changed fundamentally.

The municipality needs to do more to inject a meaningful capital budget to implement its LED strategy. The institutional arrangements are quite adequate compared to other municipalities of similar size. The LED unit needs to be beefed up with an official who would focus on industrial/commercial development and investment. Institutional capacity to implement LED programmes need to be established. There is also a great need for networking with other institutions and forging partnerships to be able to offer support to emerging farmers and SMME's. The potential of tourism benefits is not fully explored as it remains the domain of previously advantaged communities.

Part of the IYM LED strategy is a well-developed business incentive scheme which was adopted by council but never implemented due to challenges with revenue collection. The scheme contains a number of proposals for business attraction and retention like lower electricity rates, water rates, etc. It remains for the municipality to reconsider the implementation of the scheme if the revenue situation has improved.

Following is a summary of some of the activities we engaged in to contribute to job creation in the local economy:

We have paid particular attention to improving infrastructure in the municipal commonages thereby contributing to the growth of the agricultural sector. We are part of the Department of Rural Development and Land Reform's District Land Committee through which we intend to lobby for state farms for local emerging farmers who are using our commonages. This will free up some land in the commonage and reduce overgrazing and thereby contribute to productive and gainful livestock farming.

We also launched a programme of converted motorbikes for young entrepreneurs together with Chris Hani municipality to further capacitate them to run their businesses more effectively and efficiently. We continue to work with our tourism and private sector partners to ensure the success of the annual fish river canoe marathon which generates millions of rands for local businesses. We have recently secured funding for the completion of the Cradock Four Garden of Remembrance and have approached various funders for the Middelburg Tourism Hub.

We have continued lobbying for the establishment of the bio fuels factory in Cradock which will contribute greatly in turning around the economy of the area. We are busy finalising a feasibility study into a project to turn around and redevelop the Cradock spa which will bring in more tourists to the area and enhance the financial situation of the municipality.

Chapter 3

Some of the measures taken to improve performance include engaging the Cogta Eastern Cape to employ an additional LED advisor to strengthen the capacity of the department to deliver services to the people. We have also engaged two interns in the agricultural and smme sections to increase our capacity to service our communities. A number of our co-operatives have been put on the EPWP incentive scheme wherein we pay members an incentive so that they use funds generated from their projects or small enterprises to re-invest/recapitalize the project or enterprise.

T 3.11.1

Economic Activity by Sector			2014/15
Sector			
Agric, forestry and fishing		5%	5.9%
Mining and quarrying		0%	0.9%
Manufacturing		4%	3.4%
Wholesale and retail trade		8%	8.5%
Finance, property, etc		15%	10.3
Govt, community and social services		59%	61.5%
Construction		4%	3.6%
Transport		6%	6%
Electricity		0%	0%
Total		100%	100%
Source: HIS Global Insight			T3.11.2

Chapter 3

Economic Employment by Sector		
Sector	2013/14	2014/15
Agric, forestry and fishing	24%	24.3%
Mining and quarrying	2%	2.4%
Manufacturing	2%	1.9%
Wholesale and retail trade	7%	6.9%
Finance, property, etc	3%	2.7%
Govt, community and social services	40%	39.7%
Construction	3%	2.6%
Transport	2%	1.7%
Households	18%	9.4%
Total	100%	100%
Source: HIS Global Insight		73.11.3

COMMENT ON LOCAL JOB OPPORTUNITIES:

Short and longer term prospects for economic growth and development in the tourism sector can be summarised into the following as contained in the municipal IDP:

- Develop the area into the preferred stop-over destination, through the development of facilities and attractions for this market.
- Develop a range of attractions to provide a varied tourism experience.
- Greater promotion & improved facilities of the Inxuba Yethemba Municipal area.
- Greater marketing of the towns within the region - unique charm & history.
- Coordinated marketing of the area through a brand strategy.
- Develop tourism cluster destinations to encourage longer length of stay by targeting niche markets
- Improve cooperation and coordination between product owners
- Develop unique community-based products
- Open-Africa: Middelburg to Steynburg (Karoo Route) – must link with heritage & conservation
- Liberation Heritage Route is being planned by Chris Hani District Municipality – will start route in Cradock
- Development of the steam train heritage
- Train tours
- Stargazing
- Big Sky country
- Sundowners

In relation to street trading the municipality is currently building a taxi rank and hawker's facility which is expected to contribute to a much more conducive and controlled environment for street trading. The hawkers' facility is expected to provide a cleaner and healthier environment for hawkers and thereby enable them to get health department licences for trading. The LED department will be better able to mobilise the various development finance and services institutions to assist the traders.

T 3.11.4

Chapter 3

Jobs created during Y0 by LED initiatives (Excluding EPWP projects)				
Total jobs created/ top 3 initiatives	Jobs created No.	Jobs lost / displaced by other initiatives No.	Net total jobs created in the year No.	Method of validating jobs created/ lost
Total all initiatives				
Year: 2012/13	70		70	Internal data
Year: 2013/14	33		33	Internal data
Year: 2014/15				
Car wash 2014/15				Internal data
Canal cleaning				Internal data
			73.11.5	

Job creation through EPWP projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
Year 2013/14	8	34
Year 2014/15		
*- Expanded Public Works Programme		

Financial Performance Year 2014/15: Local Economic Development Services				
Details	Year 2013/14		Year 2014/15	
	Actual	Original Budget	Adjustment Budget	Actual
				Variance to Budget

Chapter 3

Total Operational Revenue	269				
Expenditure:					
Employees	2744				
Repairs and Maintenance	65				
Other	1247				
Total Operational Expenditure	4066	88883	88883	15057	
Net Operational Expenditure	3787				
Net expenditure to be consistent with summary T1.5.2 in Chapter 5. Variances are calculated by dividing the difference between actual and original and the actual T3.11.9					

Capital Expenditure Year 0: Economic Development Services					
Year 2014/15					
Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from Original Budget	Total Project Value
Taxi Rank and Hawkers Facility	5.911	0			5.911
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate T3.11.10)					

Chapter 3

Outline Service Targets	2012 - 2013		2013 - 2014		Actual	2014 - 2015		2016 - 2017	
	Target	Actual	Target	Actual		Target	Actual	Target	Actual
	'Previous Year (iii)	(iv)	'Previous Year (v)	'Current Year (vi)		'Current Year (vii)	'Current Year (ix)	'Following Year (x)	
(iii) Number of new smme's established and capacitated	4 by June 2012	7 new smme's established and operational	5 smme's by June 2013	5 by June 2014	7 new smme's established and operational	5 by June 2015	no target set	no target set	
Formal taxi rank and infrastructure for hawkers in a designated area.	-	Taxi rank and hawker's facility designs presented	Planning documents by June 2013	100% complete by June 2014	70% complete	100% complete by end September 2014	-	-	
The completion of the GOR to enhance the liberation heritage of the area	-	-	80% completion of the GOR by June 2013	R 10m to be sourced from funders by June 2014	received R 2.1m from the National Lotteries Business plan submitted to Chris Hani and Tourism Dept	100% completion of the GOR by June 2015	-	-	
To provide for opportunities for the development of arts among the population of Middelburg	Produce a funding proposal by March 2013	Consultations with Tourism hub stakeholders	submission of proposal by August 2013	submission of business plan to funders by December 2013	-	Submission of business plan by December 2014	-	-	
								T 3.11.7	

Chapter 3

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

Inxuba Yethemba municipality is unable to adequately complete this part of the report. The reason is because the LED department is not funded from the equitable share or own funding of the municipality for capital projects either because of the order of priorities of the municipality. It is from the 2013/14 financial year that we have a major capital project funded from the municipal infrastructure grant.

All other planned capital project are funded from government departments or government agencies. The Cradock Four Garden of Remembrance, which will be funded by the National Tourism Department is a case in point. The municipality has expressed intentions to increase the percentage of the MIG which goes to the LED component so that more capital projects can be funded. The funding of these projects like the Garden of Remembrance are not deposited with the municipality so we don't budget them hence we are unable to adequately respond to the directive on the closing comments.

T 3.11.11

Chapter 3

COMPONENT D: COMMUNITY & SOCIAL SERVICES

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES

T 3.5.2

3.12 LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES; OTHER (THEATRES, ZOOS, ETC)

INTRODUCTION TO LIBRARIES; ARCHIEVES; MUSEUMS; GALLERIES; COMMUNITY FACILITIES

The libraries function is rendered by the municipality through an agency basis for Department of Sports Recreation Arts and Culture. The service level agreement is signed between the two institutions. The operational budget is transferred to the libraries are free of charge.

Support is given to the communities that are living in poverty by means of awareness campaigns on issues affecting the communities such as HIV/ AIDS promotion during library week, environmental awareness etc. The 6 libraries were operating with a Chief Librarian who was appointed during the previous financial year.

T3.12.1

Chapter 3

Financial Performance Year 0:P Archives; Museums ;Galleries; Community Facilities; Others					
Details	Year 2014/2015	Year 2014/2015			
	Actual	Original Budget	Adjustment Budget	Actual	Variance Budget
Total Operational Revenue	2521	2630	2659	2630	-11%
Expenditure					
Employees	1752	2502	2506	1863	-26%
Repairs and Maintenance	1	16	15	0	-100%
Other	122	1112	1188	727	-39%
Total Operational Expenditure	1875	3724	3710	2590	-30%
Net Operational Expenditure	-646	-694	1051	40	96%
<i>Net expenditure to be consistent with Summary T 5.1.2 in chapter 5. Variances are calculated by dividing the difference in Actual and Original Budget by the Actual</i>					

Chapter 3

3.13 CEMETORIES AND CREMATORIIUMS

INTRODUCTION TO CEMETORIES

The top 3 services delivery priorities of cemeteries are the administration, booking of burial sites, the allocation of burial sites to the public and the maintenance of the cemeteries. The maintenance is done through EPWP environmental sector.

The indigent burial services are the assistance given to households who apply not having the means to bury their family member. A burial site is given to the deceased including the coffin. The ward councillor and the social worker are to give a motivation to the Manager Community Services on the financial situation of that particular family for the application to be approved.

T 3.13.1

3.14 CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

INTRODUCTION TO CHILD CARE; AGED CARE; SOCIAL PROGRAMMES

HIV & AIDS programs

HIV/AIDS programmes are coordinated in the Municipality through partnership with other governmental departments. These departments include the department of Health, Social development, Correctional Services, NGO's, NPO's, Chris Hani District Municipality. The programme includes OVC's Healthy awareness for the communities and employees of the municipality for voluntary counselling and testing.

The partnership with NGO made it possible to donate school uniforms to the vulnerable children of jurisdiction and fifteen (15) OVC's received school uniforms. An educational session was held with the Youth with regards to pregnancy and substance abuse. War Rooms were established during a LAC meeting. The dialogue's that were held per ward to discuss HIV/AIDS, Women and Substance abuse makes our communities aware of what services are around them.

The Provincial Office of Social Development took an initiative in conducting a research study at Inxuba Yethemba Municipality regarding Teenage Pregnancy and social illnesses. This was followed by a seminar to disseminate their findings of research.

Community dialogues were held and education was given on Substance Abuse, Teenage Pregnancy, STI's and Sexual Abuse. Challenges were highlighted by the community members and a decision was taken that the Municipality and other departments must intervene and give solutions to these challenges.

Education was also given to Inxuba Yethemba Municipality employees with regards to STI's and substance abuse. Education was given by the Department of Health.

Chapter 3

Child care and aged care

The service for child and Aged Care does not fall within the Municipality area of jurisdiction.

T 3.14.1

COMPONENT E: ENVIRONMENTAL PROTECTION

3.15 POLLUTION CONTROL

INTRODUCTION TO POLLUTION CONTROL

T 3.15.1

The Municipal Health services was transferred to Chris Hani District Municipality in 2006. Any pollution control complaints are referred to the local CHDM employees as need arise.

COMPONENT F: HEALTH

This component includes: clinics; ambulance services; and health inspections.

INTRODUCTION TO HEALTH

Health services are not provided at the local municipality level but rather at a district level.

T 3.17

3.17 CLINICS

INTRODUCTION TO CLINICS

Health services are not provided at the local municipality level but at a Provincial level.

T 3.17.1

Chapter 3

3.18 AMBULANCE SERVICES

INTRODUCTION TO AMBULANCE SERVICES

Health services are not provided at the local municipality level but at a Provincial level.

T 3.18.1

3.19 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

INTRODUCTION TO HEALTH INSPECTIONS; FOOD AND ABATTOIR LICENCING AND INSPECTIONS, ETC

Health inspection, food and abattoir services are not provided at the local municipality level but rather at a district level.

T 3.19.1

COMPONENT G: SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

INTRODUCTION TO SECURITY & SAFETY

No safety and security at municipal level except for road safety. The municipality is envisaging having peace officers in future for enforcing of by-laws

T 3.20

3.20 POLICE

INTRODUCTION TO POLICE

Policing services are not provided at a local municipality level but rather at a provincial and national level..

T 3.20.1

Chapter 3

3.21 FIRE

INTRODUCTION TO FIRE SERVICES

T 3.21.1

Fire services are not provided at a local municipality level but rather at a Chris Hani district municipality level.

The Fire Service is a District Municipality Function, but due to the distance between the fire section of the district Municipality and Inxuba Yethemba Municipality, the Municipality is acting as an agent of Fire Services. The Inxuba Yethemba Municipality has identified volunteers within its permanent staff component to work as fire fighters. These fire fighters are on standby on a weekly basis in both units.

When there is a fire call out they service the area and are paid overtime allowance per call out. Presently there are no challenges in the services as Chris Hani has allocated two fire machines for the two units. The budget provision to operate the service has been sufficient for the past 3 financial years. Indigent household are receiving the service without any payments and their households are renovated after the fire incident had occurred.

3.22 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

INTRODUCTION TO DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

Disaster management:

The disaster management is a District Municipal Function. The Municipality has appointed a Chief Protection Services Officer including the disaster function in his job description. Fire services volunteers are expected to do disaster functions as well.

The service delivery priorities on disaster management are to have plans for any form of disaster that may strike the vulnerable communities. These plans include what to do before, during and after the disaster strikes ensuring that rehabilitation take place at the minimal fine possible. This function has a minimal budget.

Animal licensing

The animal licencing service does not exist in the municipality.

Control of public nuisance:

This function has developed to Chris Hani District Municipality. Please see the information on waste management. An advert for Bylaw Enforcement Officers will go out under EPWP.

T 3.22.1

Chapter 3

COMPONENT H: SPORT AND RECREATION

This component includes: community parks; sports fields; sports halls; stadiums; swimming pools; and camp sites.

INTRODUCTION TO SPORT AND RECREATION

T 3.23

There are six sports fields which are in a good condition. Different sport activities are held in these facilities. Bookings are made before the facilities are used. Communities that are living in poverty are using the facility free of charge. This service is given to them on approval by the Executive Mayor. The employees maintain these facilities daily. Sporting codes have signed annual contracts for some facilities. The community parks are also maintained by the parks and recreation staff members. Additional work is done making use of the EPWP employees which forms part of environmental sector.

Phiti Stadiums renovation has started on a multiyear budget of R17 000 000.00.

3.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING AND RECYCLING)

INTRODUCTION TO WASTE MANAGEMENT

Waste Management is the removal of waste from the households businesses and the industrial areas by making use of municipal compactor trucks and personnel; waste is then disposed of at the waste landfill site. The waste disposal site should be constructed in such a way that it reduces nuisance. The waste generators are later charged according to the waste generated per month. The tariffs are determined during the budget process including inputs from the community members.

Refuse collection

Refuse collection is done on a weekly basis. Each household receives four bin liners each month. The bin liner is filled with household waste and placed at the street verge for collection at a known day of the week. Municipal truck with employees picks up the waste and transports it to the disposal site.

Refuse collection is also done during bid events such as Canoe Marathon, Sporting Events and the Cradock Agricultural Show.

Waste disposal and waste disposal site

There are two waste disposal sites, one is in Cradock and another is in Middelburg. Both these disposal sites have been licenced. The Cradock Landfill Site has been licensed for closure and rehabilitation. A Service Provider has already requested information of this landfill site. Middelburg Landfill Site has been licensed for operation.

The Middelburg disposal site should operate according to the NEMA requirements.

A new landfill Site should be identified in Cradock due to the rock formation of the area where the current site is allocated.

Chapter 3

Street sweepers and cleaning

The street sweepers function forms part of the refuse removal and the cleanliness of our towns. The street sweepers are permanently placed at strategic areas of the central business area to pick up papers, empty refuse, bins and dewed if there are overgrown areas where they are placed. The street sweepers work seven days of the week and weekends are paid to them as overtime. This team is the pride of our institution as compliments from tourist are received acknowledging the clean central business districts.

Recycling and cooperatives

There are two cooperative that are doing recycling in the Inxuba Yethemba area of jurisdiction. One is in Middelburg and is operating very well. The cleanliness in the area shows that the cooperative is progressing. The Ikamvalethu recycling cooperative that has been funded by Social Development has not progressed at this stage. They started through the assistance of the Middelburg Waste recycling project.

Due to internal fighting within Ikamvalethu this cooperative stagnated and closed down for a period of time. It has however again started with a few of the old team members. They are collecting recyclables from the shops and other institutions and has also put reclaimers on the Landfill Site in Cradock.

Waste management awareness campaigns

The department of Environmental Affairs also appointed a total number of 14 youth to assist the municipality in the anti-litter campaign (COKISA PROJECT) other members of COKISA are sorting waste at the disposal site for the waste to be baled by the Ikamvalethu. COKISA youth is doing door to door awareness campaigns informing the communities about the dangers of illegal dumping and financial spin offs of recycling.

They have also done educational awareness campaigns at school to encourage the learners to get involved in recycling. The learners were requested to bring any recyclable material from their homes and they demonstrated to the learners how items could be made from recyclables. Cokisa also donated trees to the Municipality which were planted at schdols to encourage the learners to look after the environment.

Cokisa team together with Department of Water Services cleaned the riverbank and also educated the communities living near to the river.

A community park was revamped forming a partnership between Cokisa, the Municipality and Gomso.

Cokisa Consulting donated hundred (100) yellow wheelie bins for waste and hundred (100) green wheelie bins for recycling. These wheelie bins were handed out to the schools who participated in the painting of a drum portraying the three "R's".

The Department of Environmental Services also appointed twenty (20) youth under the name of Wild Lands who got accredited training with regards to Waste Management.

Bylaws relating to waste management

Inxuba Yethemba has promulgated by law that relate to waste management by law enforcement officers do exist in the protection services section but due to cash flow challenges they could not be appointed.

Chapter 3

Measures to be taken to improve performance recycling in Cradock

As the Cooperative in Cradock has restarted their recycling activities the Manager Community Services are to have an educational session with them with regards to management. The group of Cokisa Consulting should form part of this exercise. As wheelie bins for recycling was handed to schools they should also come on board of the recycling activities. A new site is to be identified including the municipal town planning section through special Development Framework of the Municipality.

T 3.4.1

SOLID WASTE SERVICE DELIVERY LEVELS		
DESCRIPTION	HOUSEHOLDS	
	2013-2014	2014-2015
<u>Solid Waste Removal: (Minimum level)</u>		
Removed at least once a week	16,000	16,000
<u>Solid Waste Removal: (Below minimum level)</u>		
Removed less frequently than once a week	204 Rosemead	204 Rosemead
T 3.4.2		

The total number of household that are serviced are 16,000 and the illegal dumping is also to be reported that the building rubble and gardens waste is collected occasional using the TLB and front end loader as needed in all wards. There is no area in the Inxuba Yethemba with informal settlements.

Waste Management Service Policy Objectives Taken From IDP

5. Provision of weekly collection per household

- No waste collection failures for the past 4 years. Illegal dumping that needs awareness campaign that is assisted by the COKISA project. Failure that is identified is the law enforcement.

6. Failure capacity of existing and earmarked waste disposal sites

Cradock landfill sites:

- The Cradock site has been identified for closure and rehabilitation. Identification of another site is of utmost important in the coming three years.

Chapter 3

Middelburg landfill:

- The landfill site will be used in the next three years but no new cells are to be opened. The distance between Cradock and Middelburg makes it necessary to plan for the new disposal sites for both towns.
7. Proportion of waste that is recycled: Unknown
 8. Proportion of site that is in compliance with NEM 1989: None

Comment on waste management services performance overall

There are no capital projects in the waste management in the 2014/15 financial year. The 5 year target cannot be attained within the approved budget provision unless the revenue collection is enforced or improved.

Financial Performance Year 2013/2014 Archives; Museums ;Galleries; Community Facilities; Others					
R'000					
Details	Year 2013/2014	Year 2014/2015			
	Actual	Original Budget	Adjustment Budget	Actual	Variance Budget
Total Operational Revenue	1467	10833	10833	10833	-0.02%
Expenditure					
Employees	5369	6758	6816	5933	-13%
Repairs and Maintenance	532	471	471	471	-54%
Other	3205	960	1376	941	-32%
Total Operational Expenditure	9106	8189	8663	7091	-18%
Net Operational Expenditure	-5661	-2644	12172	3742	72%
Net expenditure to be consistent with Summary T 5.1.2 in chapter 5. Variances are calculated by dividing the difference in Actual and Original Budget by the Actual					

Chapter 3

COMMENT ON WASTE MANAGEMENT SERVICE PERFORMANCE OVERALL:

Top three services priorities

Recycling in Middelburg makes an impact to both the environmental and the poverty alleviation directly to the employees of the project and indirect to the community members selling the recyclable waste material. The weekly removal of waste from 95% of the households, making \pm 50% the Rosmead area which is not serviced. The EPWP project which focused on the environmental sector employing 200 household members. This improved our environment and give livelihood to the communities.

Challenges

Minimal budget is allocated for waste management while the visibility of waste in each street corner interferes with a better life for all. Old waste management fleet which makes it very expensive to services the fleet. Revenue enhancement or collection that affects progress. MIG funding that does not prioritise waste management. The transfer of Rosmead site to the municipality by Transnet makes it difficult to financially plan for the area of Rosmead.

Community response to poverty stricken community

All households are issued with refuse bin liners irrespective of their ability to pay for the services or not. All the open spaces that are used as illegal dumping sites are cleared occasionally by the municipal in all wards.

T 3.4.10

Chapter 3

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

This component includes: corporate policy offices, financial services, human resource services, ICT services, property services.

3.25 FINANCIAL SERVICES

INTRODUCTION FINANCIAL SERVICES

Inxuba Yethemba municipality is a municipality that collects 75% of its revenue and the rest comes from the government grants. There have been cash flow challenges that have plagued the municipality over the years and continue to be a challenge.

The municipality has embarked on a revenue enhancement drive to increase revenue by 5% at minimum. The revenue enhancement strategy has been put in place. Also there has been a revision of the Credit Control and Indigent policy to assist the municipality to collect more revenue.

There have been challenges around meter readings owing to malfunctioning of the devices at times as well as the old meters and leakages. More supervision has been done in order to improve, however the filling of vacancies was not done due to the challenges around current operations.

The meter readers will no longer be hired since the water and sanitation services is going back to Chris HANI District Municipality. Also the municipality does not have the customer care section, and this is considered crucial in addressing the quality service to the community.

The reporting by the municipality has improved both internally and externally through the appointment of the dedicated BTO unit. The SCM has challenges since it is a new unit and with 2 officials is still very much under capacitated. Various ways are being explored to address this imbalance that is hampering the finance department in fulfilling its mandate and achieving the quality financial information.

GRAP compliant Asset register was compiled but various challenges were picked up by the Auditor General. Current the Asset Management section lacks capacity as it only has an asset clerk. This challenge is being addressed in conjunction with the SCM.

T 3.25.1

Chapter 3

Debt Recovery								
R' 000								
Details of the types of account raised and recovered	Year - 2012/13			Year 2013/14			Year 2014/15	
	Actual for accounts billed in year	Cash Receipts	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %	Estimated outturn for accounts billed in year	Estimated Proportion of accounts billed that were collected %
Property Rates	R 21,784	R 15,344	70%	R 23,555	R 13,435	57%	R 23,456	R 18,764.80
Electricity - B	R 2,260		0%	R 2,382		0%	R 2,573	R 2,315.30
Electricity - C	R 65,289	R 63,099	97%	R 77,035	R 70,888	92%	R 82,202	R 73,982.20
Water - B	R 5,890		0%	R 6,237		0%		
Water - C	R 16,581	R 16,804	101%	R 9,532	R 11,758	123%		
Sanitation	R 16,815	R 6,400	38%	R 17,986	R 6,495	36%		
Refuse	R 13,828	R 4,935	36%	R 14,765	R 5,221	35%	R 14,798	R 11,838.40
Other								
B- Basic; C= Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial Accounts and the systems behind them.								T 3.25.2

Financial Services Policy Objectives taken from the IDP			
Service objectives	Outline service targets	Year 2014/15	
		Target	Actual
		Previous Year	
(i)	(ii)	(iii)	(iv)

Financial Performance Year 2014/15: Financial Services					
Details	Year 2013/14	Year 2014/15			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	73 595	76607964		76973376	365412
Expenditure:					
Employees	8016	747407	747407	747407	
Repairs and Maintenance	7	62300	-	62300	
Other	31 241	14450905			
Total Operational Expenditure	39 264				
Net Operational Expenditure	-34 331				
Net expenditure to be consistent with summary T1.5.2 in Chapter 5. Variances are calculated by dividing the difference between actual and original and the actual					
T3,25.5					

Chapter 3

COMMENT ON THE PERFORMANCE OF FINANCIAL SERVICES OVERALL:

The finance department does not have any capital projects for the 2013/14 financial or the Medium Term. The 5 targets as set out in the IDP can be attained with the current budget provision looking at the targets from the Operational Budget expenditure.

The employment of meter readers will no longer be done since the water services function has moved to the district. The employment of the customer care officials is expected to take place in the 2014/14 financial period. The ICT Strategy is expected to be adopted in the next ordinary council meeting in September or October.

T 3.25.7

3.26 HUMAN RESOURCE SERVICES

INTRODUCTION TO HUMAN RESOURCE SERVICES

In Human Resources our main objective is to provide a support service to the institution and our major areas of operation are management of leave as this has an impact on our audit outcomes, secondly we are involved in capacity development of both councillors and officials as this will help the municipality to deliver on its mandate and lastly human resources administration is at the heart of our operation like recruitment and selection wherein we have to ensure that personnel employed by the municipality have the right qualifications through verification of their qualifications which has also been an audit issue in the past.

T 3.26.1

1000

municipalities in which IDPs play a key role.

Chapter 3

Chapter 3

Financial Performance Year 2014/15: Human Resource Services					
Details	Year 2013/14	Year 2014/15			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	269	-	-	-	-
Expenditure:					
Employees	2744	3206	3206	3206	
Repairs and Maintenance	65	2638	2638	2638	
Other	1247				
Total Operational Expenditure	4066	3936	3936	3936	
Net Operational Expenditure	3787	3936	3936	3936	
Net expenditure to be consistent with summary T1.5.2 in Chapter 5. Variances are calculated by dividing the difference between actual and original and the actual					T3,26.5

COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

At Human Resources we only have one capital project which we are in the process of procuring. This is a dedicated HR System because Promun which is the system currently in the municipality is more biased towards finance and we have discovered over the year that it is not assisting HR. HR in this system is actually a stepchild which is why we are in the process of getting a fully HR functional system.

T 3.26.7

3.27 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

ICT Department has been relocated located from the Finance Department to Corporate Service Department. It was for the better part of the financial year run with the assistance of the service provider. The IT manager has been employed to fill the long outstanding post.

The Inxuba Yethemba municipality has reviewed the ICT policies in order to strengthen the internal controls. The ICT strategy has been work shopped and discussed by the ICT governance committee and adopted by council.

Training is being arranged in order to increase capacity within ICT and the financial systems running on IT.

T 3.27.1

Chapter 3

ICT Services Policy Objectives Taken from IDP				
Service Objectives	Outline service Targets	Year 2014/15		
		Target	Actual	
Service Indicators (i)	(ii)	Previous Year (iii)	(iv)	
		Draft IT strategy	Adopted	IT Strategy

Financial Performance Year 2014/15: ICT Services					
Details	Year 2013/14	Year 2014/15			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue		0	0	0	
Expenditure:					
Employees		456	0	456	
Repairs and Maintenance		211	0	186	
Other		1791	0	1791	
Total Operational Expenditure		2268	0	2266	
Net Operational Expenditure	3787	2268	0	2266	
Net expenditure to be consistent with summary T1.5.2 in Chapter 5. Variances are calculated by dividing the difference between actual and original and the actual					
					T3.26.5

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:

The finance department does not have any capital projects for the 2013/14 financial or the Medium Term. The 5 targets as set out in the IDP can be attained with the current budget provision looking at the targets from the Operational Budget expenditure.

The ICT Strategy is expected to be adopted in the next ordinary council meeting in September or October.

T3.27.7

Chapter 3

COMPONENT J: MISCELLANEOUS

This component includes: the provision of Airports, Abattoirs, Municipal Courts and Forestry as municipal enterprises.

INTRODUCTION TO MISCELLANEOUS

Delete Directive note once comment is completed – Provide brief introductory comments. Set out priorities and the impact you have had on them during the year. Explain the measures taken to improve performance and the major efficiencies achieved by this service during the year.

T 3.29.0

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

This component includes: Annual Performance Scorecard Report for the current year.

SERVICE DELIVERY TARGETS AND PERFORMANCE INDICATORS

	Reference
1 Service delivery targets and performance indicators for Good governance and public participation	3.30.1
2 Service delivery targets and performance indicators for Institutional Development and Transformation	3.30.2
3 Service delivery targets and performance indicators for Financial Viability	3.30.3
4 Service delivery targets and performance indicators for LED	3.30.4
5 Service delivery targets and performance indicators for Basic Infrastructure (Community Service)	3.30.5
6 Service delivery targets and performance indicators for Basic Infrastructure (Technical Service)	3.30.6

Chapter 3

PLAN 1: GOOD GOVERNANCE PUBLIC PARTICIPATION SERVICE DELIVERY TARGETS AND PERFORMANCE														
IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Measure verification	Unit of Measure	Quantity Target	Quantity Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quality Assurance comment	Internal Audit comment	Portfolio of Evidence
4F1.1	Delegate Framework	To develop a system to maximize administrative and operational efficiency	Reviewed Framework	Requires review	30 November 2014	Document and Council Resolution	Document	Council approval	Approved	Achieved	N/A	Yes	See report	available
4F1.2	Audit Committee	To have an audit Committee that is capacitate and meets the requirements	Number of meetings of audit Committee Capacity building sessions attended	4 0	4 by 30 June 2015 2 by 30 June 2015	Minutes Attendance register	Minutes registers	4 2	6 2	Achieved	N/A	Yes	See report	available
4F1.3	Internal Audit	To have a functional internal audit unit that is capacitated	Number of projects done with GRM Number of capacity building sessions attended Number of reports submitted to MM		5 by August 2014 Attendance register 4 reports by 30 June 2015	reports reports	Reports reports	5 4	5 6	Achieved	N/A	Yes	See report	available
4F1.4	Ward meetings	To ensure that Communities participate in affairs of municipality in a structure manner	Number of ward meetings held	Not as per schedule	6 per annum	Minutes of meetings	records	6	Cannot verify	Not achieved	Minutes to be readily available	Yes	See report	available
4F1.5	IDP Forum	To ensure that Communities participate in the development agenda of the municipality	Number of forum held	6 held	At least 6 forum by 31 May 2015	Attendance registers	registers	6	6	Achieved		Yes	See report	available
4F1.6	Budget Consultations	To ensure that Communities participate in the Development agenda of the Municipality	Number of Consultation meetings held	All wards	9 ward meetings by 31 may 2015	Attendance register	registers	9	9	Achieved		Yes	See report	available

Chapter 3

4F1.7	IGR	To forge intergovernmental Relations for cooperative governance at local level	Number of meetings held	Not functional	4 per annum	Minutes	registers	4	0	Not achieved	Raise concerns of non-attendance with province	No	N/A	N/A
4F1.8	Mayoral Outreaches	To provide a platform for listening and giving feed back to the community	Number of outreaches held in a year	Not frequently	2 per annum	Attendance/ Minutes	registers	2	Partially held	Not achieved	All wards to be visited		No documents available	

PLAN 1: GOOD GOVERNANCE PUBLIC PARTICIPATION SERVICE DELIVERY TARGETS AND PERFORMANCE														
IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quantity Target	Quantity Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quality Assurance comment	Interim Audit comment	Portfolio of Evidence
4F1.9	Petitions Management	To develop a system of responding to petitions	Documented and adopted system	None		Document and Council Resolution	Document	Council approval	approved	Achieved	Time frames to be adhered to	Yes	See report	available
4F1.10	Declaration of Interest	To ensure that all Councilors and Managers annually declare their interest to guard against conflict of interest	Number of Councilors and Managers who have signed	all	All by 30 January 2015	Records	Records (signed disclosure forms)	6 managers 18 councilors	6 managers 18 councilors	Achieved	Councilors to be followed up by Speaker as they return forms late	Yes	See report	available

Chapter 3

PLAN 2: INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION SERVICE DELIVERY TARGETS AND PERFORMANCE														
IDP Ref. No.	Project	Strategic Expects Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measuring	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring Assurance comment	Internal Audit comment	Portfolio of Evidence
4E1.1	Work place Skills Plan	To ensure that there is an informed plan to guide training of staff	Document available and submitted in time	Submitted annually	30 th April 2015	Proof of submission	Document	Proof of submission	No plan in place	Not Achieved	Monitor development of plan throughout the year	Yes	See Report	none
4E1.2	Skills Development	To ensure that staff has the capacity in terms of skills to perform optimally	% of budget amount spent on skills development	Training not followed due to finance	80%by June 2015	Records	Finance records	80			Ensure records are kept in line with plan		See Report	Available
4E1.5	Employee Induction	To ensure that new staff is inducted into the Institution	Number of new staff members inducted	0	All new employees appointed in the financial year	Quarterly reports Attendance registers	Number of sessions held	Records of induction sessions	Records provided	Achieved		Yes	See report	Available
4E1.7	Cascading of PMS	To develop a framework to cascade the PMS to all levels of staff	Adopted framework	None	31 Dec 2014	Document and council resolution	Documented framework	Frame work for PMS Cascading	It was reported that Policy on cascading adopted by Council but relevant supporting evidence was not provided	Not Achieved	Provide Evidence of what has been done	Yes	See Report	Available
4E1.8	PMS	To have an automated system to improve monitoring and reporting	Implementation of the system	None	31 March 2015	Records	System generated reports	Automated system implementation	None	Not achieved	Consultation with other municipalities with operational systems	N/A	See report	none
4E1.9	Change Management	To have a program in place to deal with	Number of change management sessions	None	At least 4 per annum	Attendance register	Documented program	Existence of change	Not in Existence	Not Achieved	The service provider to	N/A	See Report	none

Chapter 3

		culture of doing things in line with Batho Pele Principles	conducted				management programme		outline the program		
4E1.10	Employees Relations	To strive to create an environment conducive for sound employee relations	Number of LUF meetings held	6	At least 4 per annum	Minutes of meetings	No. of Minutes of meetings held	Minutes for 4 meetings	Not Achieved Due to postponement by SAMWU	See Report	Available

PLAN 3: FINANCIAL SERVICES SERVICE DELIVERY TARGETS AND PERFORMANCE														
IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quality Assurance comment	Internal Audit comment	Portfolio of Evidence
4D1.1	Credit Control Policy		1.Number of reports on Implementing existing one. 2.Adopted reviewed policy by Council	1.None 2.Requires review	4 by June 2015 31 st May 2015	1.Tabled reports 2.Document and Council Resolution		31 May 2015	Credit Control Policy was reviewed and approved by Council during March 2015.	Not Achieved	Reports on implementation to be done	Yes	See Report	Available
4D1.2	Indigent policy	Develop, Revise and Implement finance policies to facilitate revenue enhancement	1.Number of reports on Implementing existing one 2.Adopted reviewed policy by council	1.None 2.Requires review	4 by June 2015 31 st May 2015	1.Tabled reports 2.Document and council resolution			Was reviewed and approved by Council during March 2015	Not Achieved	Reports on implementation to be done		See Report	Available
4D1.3	Free basic service policy		1.Number of reports on implementing existing one 2.Adopted reviewed policy by council	1.None 2.Requires review	4 by 30th June 2015 31 st May 2015	1.Tabled reports 2.Document and council resolution			Was reviewed and approved by Council during March 2015	Not Achieved	Reports on implementation to be done	Yes	See Report	Available

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4D1.5	Replacing Data M prepaid meter systems		Number of meters replaced	None	All by 31 st Dec 2014	Records	100% by June 2015	Funding not available to replace 300 meters- R3m	Not Achieved	The project to be done by electricity section	No	See Report	N/A
4D1.7	Customer Care		Number of dedicated personnel or customer care	None	At least 2 by 30 th Sept 2014	Appointment letters	Dec 2014	Appointments have been made for Cradock and Middleburg during March 2015	Targeted Achieved	Yes		See Report	Available
4D1.8	Valuations	To ensure the implementation of the new valuation roll	Adoption of roll for implementation	Completed roll		Document and council resolution	July 2014	The new valuation roll was done by DDP Valuers and was implemented on 1 July 2014. The appeal hearings did take place during June 2015 and letters have been sent to all Finance is busy adjusting the Valuations roll according to the outcomes of the hearings	Target Achieved	Yes		See Report	Available

Chapter 3

PLAN 3: FINANCIAL SERVICES SERVICE DELIVERY TARGETS AND PERFORMANCE

IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quarterly Assurance comment	Internal Audit comment	Portfolio of Evidence
4D1.9	Revenue Enhancement	To develop a revenue enhancement strategy which will improve collection rate of municipality	% increase in venue		5% by Jun 2015	Records		Quarterly Reports	PWC is assisting with the revenue enhancement. Monthly progress reports are submitted to the CFO. The contract with PWC has ended at the end of June 2015.	Not Achieved	Strengthening of own capacity on revenue enhancement	No	See Report	Available
4D2.1	Internal reporting		Number of reports submitted	None	12 Monthly and 4 Quarterly reports to committees and council	Records		12 Monthly and 4 quarterly reports to committees and council	Reports are submitted on a monthly basis.	Target Achieved		Yes	See Report	Available
4D2.2	External reporting	To improve accountability by ensuring report in accordance with prescripts and standards	Number of reports submitted	None	12 monthly 4 quarterly and 1 annual report to province and national Treasury and AG where required	Records		12 Monthly, 4 quarterly and 1 annual report to province and national Treasury and AG where required.	Reports to external Governments are done on a monthly basis	Target Achieved		Yes	See Report	Available
4D2.3	Assets register	To ensure assets are properly maintained and safeguarded	Document of complete asset register	Incomplete	31 July 2014	Document		July 2014	The Assets verification was done by	Target Achieved			See Report	Available

Chapter 3

4D2.4	Supply Chain	To centralize all procurement processes in supply chain	Number of procurement processes done outside supply chain	Many	0 by 30 th June 2015	Records	At least 4 by June 2015	the Clerk during May and June 2015. The final product will be available at the end of July 2015.	Not Achieved	Requires serious attention and appointment of SCM Manager	See Report	No
4D2.5	Clean Audit	To ensure an Unqualified audit for the 2014/2015 financial year	Audit opinion	Disclaimer	Unqualified opinion 2014/2015	AG report	Ensure employee records are ready	Some files are up to date and the process of updating all files is ongoing	Not Achieved	Prior year matters must be finalized and statements to be re-audited		No

Chapter 3

PLAN 3: FINANCIAL SERVICES SERVICE DELIVERY TARGETS AND PERFORMANCE

ILP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quality Assurance comment	Internal Audit comment	Portfolio of Evidence
4D2.6	Budget and Treasury Office (BTO)	To capacitate the BTO to be able to develop and manage the budget	Number of training sessions attended	None	4 by June 2015	Proof of attendance	Attendance registers		The section 71 and 72 reports are submitted on a regular basis	Target Achieved			See Report	Available
4D3.1	Strategy	To have a dedicated IT unit with staff	Appointment of dedicated IT manager	None	30 Sept 2014	Appointment letter	letter	appointment	Still pending	Not achieved	Process to be speeded up			
4D3.2	IT Policy	To ensure that the IT environment is governed	Number of IT policies adopted	Drafts	30 Sept 2014	Documents and Council resolution	document	Approved policy						
4D3.3	IT Capacity Building	To ensure that staff is capacitated to utilize IT to its maximum potential	Number of IT training sessions organized	None	At least 4 per annum	Records	Attendance registers	4 sessions	none	Not achieved	To form part of staffs Development Plan	No	N/A	N/A

Chapter 3

PLAN 4: LOCAL ECONOMIC DEVELOPMENT SERVICE DELIVERY TARGETS AND PERFORMANCE

IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous year's actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve performance	Performance Monitoring quarterly Assurance commitment	Internal Audit comment	Portfolio of Evidence
4C1.1	Promote & Develop SMME's	Increase in number and enhance capacity for SMME's	Number of new SMME's	0	5 by 30 June 2015	Records	records	5	5	Achieved		Yes	See report	yes
4C1.2	Marketing and Investment attraction campaign	Develop a framework to implement investment incentive package scheme	Adopted Framework		31 Dec 2014	Documented Framework and resolution	resolution	approved	Not available	Not achieved		Yes	See report	no
4C1.4	Sugar Beet Factory	Facilitate the realization of a Bio-fuels (Ethanol) Factory in IYM	Lobbying done with relevant stakeholders	Ongoing	Quarterly Progress reports	Quarterly Progress reports	reports	4	0	Not achieved	Supporting documents to be provided	Yes	See report	no
4C1.5	Agricultural SMME Support	To capacitate and promote agricultural activities	Number of SMMEs in Agriculture supported	None	4 by 30 th June 2015	Records	records	proof	provided	Achieved		Yes	See report	yes
4C1.6	Paving Sites establishment	To establish a site for manufacturing paving site	Existence of a paving site	None	Physical site	31 st Dec 2015	Site available	site	non	Not achieved	Proper planning to be done	Yes	See report	yes
4C1.7	Informal Business Support	To provide technical/ financial packages to informal businesses	Number of businesses offered with packages	None	4 by 30 th June 2015	Records	records		non	Not achieved	Proper planning to be done	Yes	See report	yes
4C1.8	LED Forum	Establish and sustain the forum	Established and functional forum	Preparatory meetings	31 st July 2014	Minutes/ Report of	minutes	Forum minutes	note	Not achieved	Proper planning to	Yes	See report	yes

Chapter 3

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PLAN 4: LOCAL ECONOMIC DEVELOPMENT SERVICE DELIVERY TARGETS AND PERFORMANCE														
IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Units of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quality Assurance comment	Internal Audit comment	Portfolio of Evidence
4C1.11	Expansion: Youth Mobile Entrepreneurship	To capacitate & promote Youth Entrepreneur promoted	Number of youth entrepreneurs established	10	1 per ward by 30 th June 2015	Records	records	9	none	Not achieved	Proper planning to be done	Yes	See report	yes
4C1.12	Co-operative & contractor support	To facilitate training, registration & capacity building	Number of training sessions Number of new registrations	None	4 by 30 th June 2015 8 by 30 th June 2015	Records	records			Achieved		Yes	See report	yes
4C2.1	Taxi Rank & Hawkers Facilities	Conduct public transport & hawkers in a controlled environment	% scope of project completed	Service provider appointed	100% by 31 st July 2014	Signing off of project	Signing off	completion	none	Not achieved		Yes	See report	yes
4C2.8	Brick Making	To create a conducive for brick makers	Availability of water in identified area	Land available	June 2015	Installation completed	Operational fields	Installation done	Not done	Not achieved	Proper planning to be done	Yes	See report	yes

Chapter 3

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Chapter 3

PLAN 4: LOCAL ECONOMIC DEVELOPMENT SERVICE DELIVERY TARGETS AND PERFORMANCE														
IDP Ref. No.	Project	Strategic Focus/Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Measures of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve performance	Performance Monitoring quality Assurance comment	Internal Audit comment	Portfolio of Evidence
4C3.8	Development of Heritage strategy	To compile a heritage strategy for the LM.	Heritage strategy	None	By 30 th June 2015 By 30 th June 2015			Reviewed heritage strategy	No activities yet	Not Achieved			See Report	Available
4C3.9	Cradeck bicentenary celebrations	To grow tourism through centenary activities	Calendar events implementation		All in calendar by December 2014	Calendar of events reports		Calendar of events reports	Calendar of events obtained as evidence	Target Achieved		Yes	See Report	Available
4C4.1-4C4.7	Agricultural related projects	To provide support to all agriculture related projects to ensure their viability	Progress on action plan to support	Ongoing	Quarterly reports	Reports		Reports submitted	Reports submitted		The scope need to be defined	Yes	See Report	Available
4C4.8	Partnership with local FET	Establish a partnership with local Agricultural FET College to improve local technical and artisan skills	Progress on interventions by partnership	None	Quarterly reports (Sept 2014)	Reports		Partnership Agreement	Non	Not Achieved	The scope need to be defined	Yes	See Report	Available

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PLAN 5: COMMUNITY SERVICES SERVICE DELIVERY TARGETS AND PERFORMANCE														
UDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quality Assurance comment	Internal Audit comment	Portfolio of Evidence
4B1.2	Maintenance of Sport Facilities	Ensure that all facilities are properly maintained	% customer satisfaction	No survey conducted	70% customer satisfaction overall by June 2015	Survey results	maintenance program	Regular inspections	Done regularly	Achieved		Yes	See report	Yes
4B2.1	Maintenance of all cemeteries	To ensure that facilities are clean and sites accessible	% customer satisfaction	No survey conducted	60% customer satisfaction overall by 30 th June 2015	Quarterly Survey results	maintenance program	Regular inspections	Done regularly	Achieved		Yes	See report	Yes
4B2.2	Kwanonzame cemetery toilet facility	Ensure that there are toilet facilities in Kwanonzame cemetery	Availability of facilities	None	Completed structure by 30 June 2015	Structure in place	Signing off construction	Facility available	No facility	Not Achieved	Planning and budgeting to be done in advance	Yes	See report	No
4B3.1	HIV/AIDS workplace Strategy	Development of workplace strategy to curb any form of discrimination and to educate workforce	Documented strategy	Document	30 th July 2014	Council resolution	resolution	adopted	adopted					
4B3.2	To increase level of awareness in youth	Number of awareness sessions held	None		At least 4 by 30 June 2015	Reports on sessions held	Registers	4	6	Not achieved	Provide evidence	Yes	See report	No
4B3.6	OVC Program	To take stock and give support to orphans and vulnerable children	Number of known OVC's reached per ward	None	Quarterly reports All known OVC's	Reports	reports	4 reports	4 reports	Achieved		Yes	See report	Yes

Chapter 3

PLAN 5: COMMUNITY SERVICES SERVICE DELIVERY TARGETS AND PERFORMANCE

IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quantity Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve performance	Performance Monitoring quality assurance comment	Interim Audit comment	Portfolio of Evidence
4B4.1	Disaster Management Plan	Revise Disaster Management Plan	Revised Disaster Management Plan adopted by council	None	August 2014	Document & Council resolution	Document	Approved plan	Approved plan	Achieved		Yes	See report	Yes
4B4.2	Equip the Disaster Management Centre	To have an equipped and capable Centre	Availability of Basic disaster Equipment	None	By 30 June 2015	Records	Inspected equipment	Equipment	None	Not achieved	Not to be included if it cannot be budgeted for	N/A	N/A	N/A
4B4.3	Disaster Management Forum	To have a function Disaster Management Forum in place	An established forum	None	30 August 2014	Minutes/ Attendance register	registers	4 meetings	1 meeting	Not achieved	Team up with already existing local structure	Yes	See report	Yes
4B5.1	Integrated Waste Management Plan	Development an Integrated Waste Management Plan for the municipality	An approved Integrated Waste Management Plan	None	30 June 2015	Document & Council resolution	resolution	approved	approved	Achieved				
4B5.3	Urban Greening	To promote a clean environmentally Friendly communities	Number of parks developed and maintained	Existing ones in very poor state	1 in each ward by 30 June 2015	Reports & physical inspection	Reports	1 in each ward	1 in each ward	Achieved		Yes	See report	Yes
4B5.4	Solid Waste Disposal sites	An established compliant Disposal site	Disposal sites that are licensed	Tendering	Certificates 2014	30 August 2014	certificates	registered	registered	Achieved		Yes	See report	Yes
4B5.6	EPWP Environmental project	Creating jobs through EPWP and ensuring that the environment is clean	Number of jobs created	0	200 by 30 June 2015	Records	number	200	200	Achieved				
4B6.1	Speed Bumps	Put in place traffic calming measures in high risk areas	Number of speed bumps in identified areas	0	At least 8 by 30 June 2015	Physical inspection	Number of completed bumps	8	4	Not achieved	Target to be linked with funds availability	Yes	See report	Yes
4B6.2	Road Signage	To have visible signs to control traffic flow	Number of signs replaced	To be identified	75% identified signs by 30 June	Physical inspection	Signs visibility	All identified	Not all	Not achieved		Yes	See report	Yes

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PLAN 6: TECHNICAL SERVICES SERVICE DELIVERY TARGETS AND PERFORMANCE

IDP Ref. No.	Project	Strategic Focus Area	Key Performance Indicator	Baseline (previous years actual)	Annual Target (Year)	Means of verification	Unit of Measure	Quarterly Target	Quarterly Actual	Status Achieved / Not Achieved	Measures to be taken to improve Performance	Performance Monitoring quality Assurance comment	Internal Audit comment	Portfolio of Evidence
4A2.1	Lusaka Low Cost Housing	To provide housing units for the dilapidated structures in Lusaka	Number of Units	0	320 by 30 th June 2015	Physical inspection	Number of occupation letters given	100%	There is no evidence provided for the reported target.	Not Achieved	Letters issued to inhabitants as proof of completion to be available		See Report	None
4A2.9	Inxuba Yethemba Municipal Housing Chapter	To have a housing chapter which will inform current and future development	Adoption of Revised Housing Chapter	Document available	31 st August 2015	Document and Council resolution	Council resolution	100%	95% completion of the project.	Not Achieved	Document to be tabled to council	Yes	See Report	None
4A5.2	Michausdal bulk supply line (Ring Feed)	Reduce power failure in Michausdal	% Completion of bulk supply line	0%	100% by 31 July 2014	Completion Certificate	Commissioning of section	100	100	Achieved		Yes	See report	Yes
4A5.1	Upgrading of main substation	To minimize power outage by replacing worn out in parts in the station	Number of parts replaced	None	All identified critical parts by 30 June 2015	Records	Identified parts	complete	Not done	Not achieved	Project to be included if there is no funding	No	N/A	None
4A6.1	Wesley Street upgrading	Ensure accessibility of the ward	Km of road surfaced	0	0.720 by 30 Sept 2014	Completion Certificate	completion	100% complete	100% complete	Achieved	Monitor projects to ensure completion in time	Yes	See report	Yes
4A6.2	Cathywe Street	To resurface Cathywe street for smooth flow of traffic	Km of road surfaced	0	1.150 by 30 Sept	Completion Certificate	completion	100% complete	100% complete	Achieved	Monitor projects to ensure	Yes	See report	Yes

	2014						completion in time

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990-999	

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4B1.1	Phil Stadium	To ensure a stadium with basic facilities for sport	% scope of project completed	0	100% scope Completed by June 2015	Completion Certificate for phase	Proof of work done	50% completion of phase	40%	Not Achieved	What was supposed to have been done should be detailed	No	See report	None
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Chapter 4

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

INTRODUCTION

The municipality has an organogram that was adopted by Council in June 2013 and there is a schedule to fill vacant posts from July 2013 to June 2014 as the challenges of cash flow have necessitated that we do not fill approved posts in the organogram all at once but rather stagger them over the whole financial year.

The municipality is in the process writing job descriptions for all posts which were not part of the initial project in 2006 or were not in the organogram at the time. The purpose of these job descriptions is to subject them to the Job Evaluation process which will be re-launched early in the 2014/15 financial year.

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Description	Employees			
	2013/14	Approved posts No.	2014/15	Vacancies No.
	Employees No.		Employees No.	
Electricity				
Waste Management				
Housing				
Local Economic Development				
Planning				
Community and Social Service				
Sports and Recreation				
Corporate Policy Officers and others				
Headings follow the order of services as set out in chapter 3. Totals should equal those in chapter 3				

Chapter 4

Employees				
Description	2012 - 2013	2013 - 2014		
	Employees	Approved Posts	Employees	Vacancies
	No.	No.	No.	No.
Water	50	43	35	8
Waste Water (Sanitation)	18	20	18	2
Electricity	22	39	33	6
Waste Management	50	76	52	24
Housing	3	4	3	1
Waste Water (Stormwater Drainage)	28	57	15	11
Local Economic Development	5	22	20	2
Planning (Strategic & Regulatory)	11	5	3	2
Community & Social Services	42	57	46	12
Security and Safety	3	5	5	0
Sport and Recreation	59	84	61	23
Corporate Policy Offices and Other	66	78	68	10
Totals	357	490	359	101

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3

Vacancy Rate: 2013 - 2014			
Designations	*Total/Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0.00
CFO	1	0	0.00
Other S57 Managers (excluding Finance Posts)	4	0	0.00
Other S57 Managers (Finance posts)	0	0	0.00
Police officers	0	0	0.00
Fire fighters	0	0	0.00
Senior management Levels 13-15 (excluding Finance Posts)	0	0	0.00
Senior management Levels 13-15 (Finance posts)	0	0	0.00
Highly skilled supervision: levels 9-12 (excluding Finance posts)	16	16	100.00
Highly skilled supervision: levels 9-12 (Finance posts)	3	3	100.00
Total	25	19	76.00

Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T 4.1.2

Chapter 4

Turn-over Rate				
Details	Total number of employees as of beginning of Financial Year No.	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year -2011-2012	523	20	16	3%
Year -2012-2013	558	35	28	5%
Year -2013-2014	588	29	19	3%
* Divide the number of employees who have left the organisation within a year, by total number of employees who occupied posts at the beginning of the year				T 4.1.3

COMMENT ON VACANCIES AND TURNOVER:

All section 55 and 56 vacancies are filled. Those posts which are regarded as scarce skills posts are being filled with the guidance of the Scarce Skills Policy. Even though the municipality has tried to develop the above mentioned policy there is no guarantee of employees staying long enough due to the low grade of the municipality which was as a result of the Job Evaluation process which led to the categorisation of municipalities as per the Job Evaluation Collective Agreement. The skills base is low internally due to the fact that historically training has not been prioritized by the municipality in the past.

T 4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The municipality has a consultative structure which is composed of both employer and labour components, namely the Local Labour Forum. The structure deals with a variety of labour relations issues including employment equity as we also have a sub-committee which deals specifically with employment equity issues. We also have a range of HR Policies though they may not be exhaustive as we regard this as work in progress. Policies are reviewed annually or when a need arises as well as developing new policies depending on what transpires in our collective interaction.

SA 2000 S67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998.

T 4.2.0

4.2 POLICIES

Chapter 4

Please see table on next page.

Chapter 4

HR Policies and Plans				
	Name of Policy	Completed	Reviewed	Date adopted by council or comment on failure to adopt
		%	%	
1	Affirmative Action	Not in place	Not in place	N/A
2	Attraction and Retention	Not in place	Not in place	N/A
3	Code of Conduct for employees	100	Not reviewed	2007
4	Delegation, Authorisation &	100	Not reviewed	2013 December
5	Disciplinary Code and Procedures	100	100	This is the product of a Collective Bargaining at SALGBC
6	Essential Services	100	100	Not reviewed since the last strike by unions in 2012
7	Employee Assistance/Wellness	80	Not yet finalised	Still to be tabled at the LLF. The delay was caused by the resignation of EAP Practitioner who was driving the process
8	Employment Equity	Not in place	Not in place	N/A
9	Exit Management	100	100	Ours is called Termination Policy and was adopted in 2012
10	Grievance Procedure	100	100	A product of collective bargaining, thus not a local competence
11	HIV/AIDS	100	100	A product of collective bargaining, thus not a local competence for uniformity purposes
12	Human Resources Development	100	100	Adopted 2008 and has since not been reviewed
13	Information Technology	100	100	Adopted September 2013
14	Job Evaluation	100	100	There is a Job Evaluation Guideline from SALGA
15	Leave	100	100	December 2012
16	Occupational Health and Safety Policy	Draft stage	Draft stage	Draft stage
17	Official Housing	100	100	Adopted in 2011
18	Official Journeys	100	100	Our policy is called Subsistence & Travel Policy
19	Official Transport to attend funeral	No policy	No policy	N/A
20	Official working Hours and Overtime	Overtime Policy is in place	100	Adopted in 2008 not reviewed since then
21	Organisational Rights	100	100	Organisational Rights Agreement (ORA) is a product of collective bargaining at national level.
22	Payroll Deductions	No policy	No policy	N/A
23	Performance Management and	Draft stage	Draft stage	N/A
24	Recruitment, Selection and	100	100	Reviewed in 2012
25	Remuneration Scales and Allowances	Not in place	Not in place	Salaries are a competence of wage negotiations at national level and collective agreements come out of those negotiations.
26	Resettlement	Not in place	Not in place	N/A
27	Sexual Harassment	Not in place	Not in place	N/A
28	Skills Development	100	100	Adopted in 2008
29	Smoking	100	100	Adopted in 2012
30	Special Skills	100	100	We call it Scarce Skills Policy and was adopted in 2013.
31	Work Organisation	Not in place	Not in place	N/A
32	Uniforms and Protective Clothing	Not in place	Not in place	N/A
33	Other: Telephone Usage; Study Loan; Use and Control of Municipal Vehicles	100	100	These policies have not been reviewed

Use name of local policies if different from above and at any other HR policies not listed.

T 4.2.1

Chapter 4

COMMENT ON WORKFORCE POLICY DEVELOPMENT:

Policy Development for HR is an ongoing process and in the year under review we developed and adopted Scarce Skills Policy and have a draft EAP Policy which we still need to consult on with unions.

T 4.2.1.1

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	0	0	0%	0	0
Temporary total disablement					
Permanent disablement					
Fatal					
Total	0	0		0	0

T 4.3.1

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post* No.	*Average sick leave per Employees Days	Estimated cost R' 000
Lower skilled (Levels 1-2)	85	The Collective Agreement on Conditions of Service - Allows the Employee to take 2 days Paid Sick Leave, without a Medical Certificate within the cycle of 8 weeks.	10	19	0.22	1
Skilled (Levels 3-5)	1011		111	235	2.63	145
Highly skilled production (levels 6-8)	243		37	61	0.63	14
Highly skilled supervision (levels 9-12)	222		35	60	0.58	15
Senior management (Levels 13-15)	14		3	3	0.04	0
MM and S57	10		3	6	0.03	0
Total	1585		199	384	4.13	

* - Number of employees in post at the beginning of the year

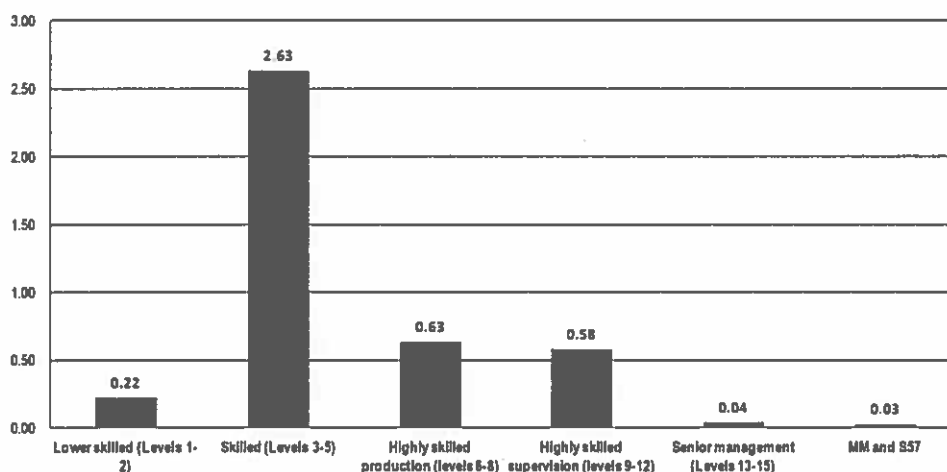
*Average is calculated by taking sick leave in column 2 divided by total employees in column 5

T 4.3.2

The above figures are for 6 Months, as the three year sick leave cycle started on 1 January 2014. Each employee is entitled to 80 days of sick leave per three 3 year cycle. S57 managers are entitled to 36 days in a three year cycle.

Chapter 4

Average Number of Days Sick Leave (excluding IOD)



T 4.3.3

COMMENT ON INJURY AND SICK LEAVE:

In the municipality we did not have any work related injuries in the year under review, therefore this section is not applicable to us. When such injuries occur employees go to their own doctors, however, the municipality pays the bill.

T 4.3.4

Disciplinary Action Taken on Cases of Financial Misconduct

Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary action taken	Date Finalised
PMU MANAGER	FRAUD - ESTIMATED COST NOT SUBMITTED	DISCIPLINARY ACTION TAKEN - RESIGNED BEFORE THE HEARING COULD BE FINILIZED	31/05/2014
	COST OF S & T'S OF PANEL - NOT SUBMITTED		
	ESTIMATED COST OF SALARY PAID FOR THE ESTIMATED TIME OF 6 MONTHS ON SUSPENSION WITH PAYMENT = R203 478.00		
			T 4.3.6

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

Please refer nature of allegation and disciplinary action taken above.

T 4.3.7

Chapter 4

4.4 PERFORMANCE REWARDS

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1 R' 000	Proportion of beneficiaries within group %
MM and S57	Female	1	1	40	100%
	Male	5	5	200	100%
Total		56	27		
Has the statutory municipal calculator been used as part of the evaluation process ?					Yes
<p>Note: MSA 2000 S51(d) requires that ... 'performance plans, on which rewards are based should be aligned with the IDP'... (IDP objectives and targets are set out in Chapter 3) and that Service Delivery and Budget Implementation Plans (developed under MFMA S69 and Circular 13) should be consistent with the higher level IDP targets and must be incorporated appropriately in personal performance agreements as the basis of performance rewards. Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</p>					

T 4.4.1

COMMENT ON PERFORMANCE REWARDS:

The Performance Management System has not yet been cascaded to levels lower than section 55 and 56 employees as we are still developing the relevant policy that will be applied to such project.

T 4.4.1.1

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The Training Committee is in place and it is charged with the responsibility of ensuring capacity building of employees at all levels. However the previous year was not particularly successful as for the better part of the year we did not have a Skills Development Facilitator as the previous one resigned and we had internal challenges filling the post. We did undertake some programmes for certain employees though not at the scale we would have wished for.

T 4.5.0

Chapter 4

4.5 SKILLS DEVELOPMENT AND TRAINING

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(b))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
Accounting officer	1	0	1	1	1	1
Chief financial officer	1	0	1	1	1	1
Senior managers	4	0	4	4	4	4
Any other financial officials	0	0	0	0	0	0
Supply Chain Management Officials						
Heads of supply chain management units	0	0	0	0	0	0
Supply chain management senior managers	1	0	1	1	0	1
TOTAL	7	0	7	7	6	7

* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T 4.5.2

Skills Development Expenditure									
R'000									
Management level	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 2013 - 2014							
		Leaverships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget
MM and S57	6								
Legislators, senior officials and managers	18			322	850				850 322
Professionals	13				20				20
Technicians and associate professionals	21				1,310				1,310
Clerks	80				120	154			120 154
Service and sales workers	16				25				25
Plant and machine operators and assemblers	34				390				390
Elementary occupations	211				1,547				1,547
Total	399			322	4,262	154			4,262 476
% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									
T4.5.3									

*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.

T4.5.3

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:

As alluded to in the previous section, we did not undertake much skills development during the period under review due to capacity challenges. All section 55 and 56 employees have undergone training on Financial Competency as per National Treasury Regulations though two of six managers are completing during the current financial year.

Chapter 4

There are also interns that have been employed by the municipality who are also attending the relevant training in term of the regulations. The Municipal Manager has asked for an extension for the two managers who could not complete by the 2013 deadline.

T 4.5.4

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

All issue related to workforce expenditure are in Finance as our payroll in terms of the system we use is under finance, therefore this section should be dealt with under finance.

T 4.6.0

4.6 EMPLOYEE EXPENDITURE

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels 9-12)	Female	0
	Male	0
Senior management (Levels 13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
Total		0
Those with disability are shown in brackets '(x)' in the 'Number of		T 4.6.2

Chapter 4

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
TOWN TREASURER	1	T12	296,304	Merger of Cradock & Middelburg Municipalities to form IYM
SUPERINTENDENT: PUBLIC WORKS HSING & H	1	T11	280,380	
SENIOR PLUMBER MBG	1	T10	212,460	
ELECTRICIAN	1	T10	212,460	
ELECTRICIAN	1	T10	208,284	
BUILDING INSPECTOR: CDK	1	T10	208,284	
ADMINISTRATION OFFICIAL	1	T10	229,944	
ADMINISTRATIVE OFFICIAL	1	T07	148,560	
SECRETARY LED MANAGER	1	T06	148,560	
SEWER PUMP OPERATOR GRADE 1 MBG	1	T06	183,144	
SEWER PUMP OPERATOR GRADE 2 MBG	1	T06	151,536	
RECEPTION & DATA CAPTURING	1	T06	142,152	
CLERK: HOUSING	1	T06	179,544	
SECRETARY: PROTECTION SERVICES	1	T06	183,144	
ADMIN CLERK NATIS	1	T06	151,536	
SENIOR CLERK LICENSING	1	T06	148,560	
HIV AIDS CO-ORDINATOR ASSISTANT	1	T06	116,904	
SNR LIBRARIAN ASSISTANT MBG	1	T06	183,144	
SNR LIBRARIAN ASSISTANT MIDROS	1	T06	128,364	
SNR LIBRARIAN ASSISTANT MICHDALE	1	T06	125,844	
SNR LIBRARIAN ASSISTANT	1	T06	116,904	
PREPAID SYSTEM OPERATOR	1	T06	148,560	
CLERK: ASSET MANAGEMENT	1	T06	148,560	Merger of Cradock & Middelburg Municipalities to form IYM
BANK RECON CLERK	1	T06	145,320	
CLERK: CREDITORS	1	T06	183,144	
CLERK: ASSESS. RATES VALUATION & CLEARANCE	1	T06	212,460	
CLERK: BILLING & DATA CAPTURING	1	T06	148,560	
ENQUIRY CLERK: CRADOCK	1	T06	139,248	
RATES CLERK: CRADOCK	1	T06	139,248	
INCOME CLERK	1	T06	121,248	
INCOME CLERK	1	T06	121,248	
ENQUIRY CLERK: CRADOCK	1	T06	121,248	
SECRETARY: SPEAKER	1	T06	139,248	
COMMITTEE CLERK	1	T06	179,544	
REGISTRY ARCHIVES CLERK	1	T06	148,560	
SECRETARY CORPORATE DEPARTMENT	1	T06	148,560	
OPERATOR (GRADER LOADER)	1	T05	102,924	
TRACTOR DRIVER CDK	1	T05	97,968	
OPERATOR (GRADER LOADER)	1	T05	125,844	
OPERATOR (GRADER LOADER)	1	T05	109,188	
CASHIER	1	T05	120,204	
TRACTOR DRIVER STREET CLEANERS	1	T05	105,348	
CASHIER	1	T05	109,188	
CASHIER	1	T05	109,188	
CASHIER	1	T05	105,348	Merger of Cradock & Middelburg Municipalities to form IYM
RELIEF CASHIER	1	T05	105,348	
SWITCHBOARD OPERATOR CDK	1	T05	179,544	
SWITCHBOARD OPERATOR MBG	1	T05	128,364	
CARETAKER MDAL	1	T05	125,844	
SNR LIBRARIAN ASSISTANT CDK	1	T04	125,844	
SNR LIBRARIAN ASSISTANT MASIZAME	1	T04	123,480	
SEMI-SKILLED WORKER ELEC. ASSISTANT	1	T03	128,364	
GENERAL WORKER: MECHANICAL WORKSHOP	1	T03	85,860	
GENERAL WORKER	1	T03	96,720	
CLEANER: CDK	1	T03	109,188	
CHALET CLEANER	1	T02	73,440	
GENERAL WORKER LEVEL II (CLEAN)	1	T02	73,440	
	57			

T 4.6.3

Chapter 4

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
No such appointments noted				
				T 4.6.4

DISCLOSURES OF FINANCIAL INTERESTS

Refer to disclosures made by officials and councillors concerning their financial interests as required by PM Regulations 805 of 2006 are set out in **Appendix J**.

T 4.6.6

Chapter 5

CHAPTER 5 – FINANCIAL PERFORMANCE

INTRODUCTION

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENTS

Note: Statements of Revenue Collection Performance by vote and by source are included at Appendix K.

This component provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

T 5.1.0

Chapter 5

5.1 STATEMENTS OF FINANCIAL PERFORMANCE

RECONCILIATION OF TABLE A1 BUDGET SUMMARY

Description	Year 2014/2015						
	Original Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome
	1	2	3	4	5	6	7
Financial Performance							
Property Rates	25 817	0	25 817	0	0	25 817	29 966
Service Charges	99 741	1 404	101 145	0	0	101 145	104 076
Investment Revenue	58	0	58	0	0	58	160
Transfers recognised - operational	62 309	0	62 309	0	0	62 309	60 884
Other own revenue	12 179	1 856	14 035	0	0	14 035	33 260
Total Revenue (excluding capital transfers and contributions)	200 104	3 260	203 364	0	0	203 364	228 346
Employee cost	64 054	1 761	65 815	0	0	65 815	60 818
Remuneration of Councillors	6 743	0	6 743	0	0	6 743	6 548
Debt Impairment	6 457	0	6 457	0	0	6 457	0
Depreciation & asset impairment	57 672	0	57 672	0	0	57 672	30 525
Finance Charges	313	0	313	0	0	313	89
Material and bulk purchases	54 069	-1 069	53 000	0	0	53 000	61 333
Transfers and grants	178	19	197	0	0	197	92
Other expenditure	42 439	2 378	44 817	0	0	44 817	77 494
Total Expenditure	231 925	3 089	235 014	0	0	235 014	236 899
Surplus/(Deficit)	-31 821	171	-31 650	0	0	-31 650	-8 553
Transfers recognised - capital							
Contributions recognised - capital & contributed assets							
Surplus/(Deficit) after capital transfers & contributions	-31 821	0	-31 650	0	0	-31 650	-8 553
Share of surplus/(deficit) of associate							
Surplus/(Deficit) for the year	-31 821		-31 650			-31 650	-8 553
Capital expenditure & funds sources							
Capital expenditure	15 214	0	15 214	0	0	15 214	0
Transfers recognised - capital	0	0	0	0	0	0	0
Public contributions & donations	0	0	0	0	0	0	0
Borrowing	0	0	0	0	0	0	0
Internally generated funds	0	0	0	0	0	0	0
Total sources of capital funds	15 214	0	15 214	0	0	15 214	0

Chapter 5

FINANCIAL PERFORMANCE OF OPERATIONAL SERVICES						
DESCRIPTION	Year 2013/201	Year 2014/2015		Year 2014/2015 Variance		
	Actual	Original Budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget
Operating Cost						
Water	20 494	0	0	0	0	0
Waste Water (Sanitation)	8 421	0	0	0	0	0
Electricity	53 382	71 192	71 777	77 125	8.33%	7.45%
Waste Management	9 106	9 928	9 930	7 423	-25.23%	-25.25%
Housing	1 333	1 565	2 021	1 732	10.67%	-14.30%
Component A: Sub Total	92 736	82 685	83 728	86 280	4.35%	3.05%
Roads	10 263	6 687	6 172	6 497	-2.84%	5.27%
Transport	2 313	2 601	2 727	3 285	26.30%	20.46%
Component B: Sub Total	9 554	9 288	8 899	9 782	5.32%	9.92%
Planning	0	0	0	0		
Local Economic Development	4 296	4 756	4 763	3 857	-18.90%	-19.02%
Component C: Sub Total	4 296	4 756	4 763	3 857	-18.90%	-19.02%
Planning (Strategic & Regulatory)	5 171	4 161	4 383	4 743	13.99%	8.21%
Local Economic Development	4 056	3 368	3 405	3 196	-5.11%	-6.14%
Component D: Sub Total	9 227	7 529	7 788	7 939	5.45%	1.94%
Community & Social Services	4 291	5 630	5 719	3 634	-35.45%	-36.46%
Environmental Protection	4 971	5 354	5 347	4 211	-21.35%	-21.25%
Health	437	401	409	225	-43.89%	-44.99%
Security and Safety	741	799	784	105	-86.86%	-86.61%
Sport and Recreation	6 831	5 571	6 052	6 338	13.77%	4.73%
Corporate Policy Offices and Other	65 484	110 391	109 361	98 140	-11.10%	-10.26%
Component E: Sub Total	82 755	128 146	127 672	112 653	-12.09%	-11.76%
Total Expenditure	198 568	232 404	232 850	220 511	-5.12%	-5.30%
If this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						

COMMENT ON FINANCIAL PERFORMANCE:

Delete Directive note once comment is completed – Comment on variances above 10%.

T5.1.3

5.2 GRANTS

Chapter 5

GRANT PERFORMANCE						
DESCRIPTION	Year 2013/2014	Year 2014/2015			Year 2014/2015 Variance	
	Actual	Original Budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget
Operating Transfers and Grants						
National Government	41 246	43 098	43 098	43 098		
Equitable Share	40 356	40 564	40 564	40 564		
Municipal Systems Improvement	890	934	934	934		
Department of Water affairs	0	0	0	0		
Levy Replacement	0	0	0	0		
Other Transfers/grants	0	1 600	1 600	1 600		
Provincial Government	0	0	0	0		
Health Subsidy	0	0	0	0		
Housing	0	0	0	0		
Ambulance Subsidy	0	0	0	0		
Sports and Recreation	0	0	0	0		
Other Transfers/grants	0	0	0	0		
District Municipality	0	0	0	0		
(insert description)	0	0	0	0		
Other Grant providers	0	0	0	0		
(insert description)	0	0	0	0		
Total Operating Transfers and Grants	0	0	0	0		
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						
Full list of provincial and national grants available from published gazettes.						

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

T 5.3.1

Chapter 5

Repairs and Maintenance Expenditure 2014 2015

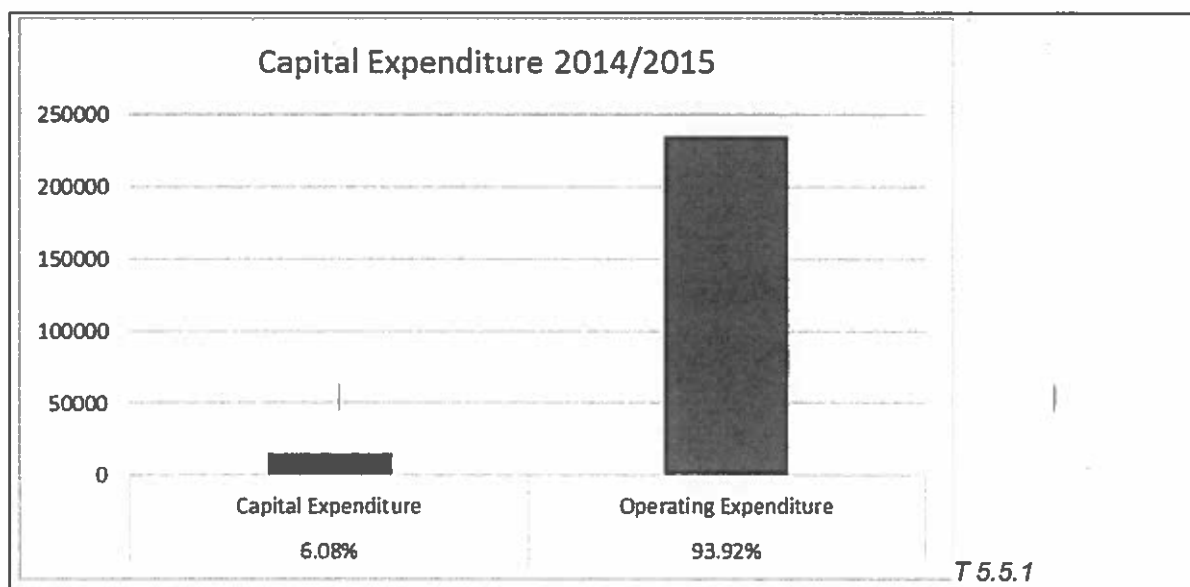
	Original Budget	Adjustment Budget	Actual	Budget Variance
Repair and Maintenance Expenditure	6 320	6 548	4 647	29%

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

T 5.5.0

5.5 CAPITAL EXPENDITURE



5.6 SOURCES OF FINANCE

<u>Project Name</u>	<u>Initial Estimated cost</u>	<u>Allocation for 14/15 FY</u>	<u>Actual expenditure to date</u>	<u>Unspent portion</u>	<u>Work in Progress</u>
Upgrading of Lingelihle					

Chapter 5

Access Road	R 4,850,000.00	R2,000,000.00	R 1,107,447.27	R 892,552.73	56%
Refurbishment of Cradock Town Hall	R 3,000,000.00	R1,500,000.00	R 366,795.00	R 1,133,205.00	25%
Upgrading of Phiti Stadium	R 17,332,000.00	R7,741,300.00	R 5,939,305.34	R 1,801,994.66	77%
Stormwater Master Plan	R 1,948,000.00	R1,948,000.00	R0.00	R 1,948,000.00	0%
Construction of Hillside Community Hall	R9,500,000.00	R0.00	R0.00	R0.00	0%
Erection of Electric high Mast	R8,181,000.00	R1,264,000.00	R0.00	R1,264,000.00	0%
PMU	R760,700.00	R760,700.00	R760,700.00	R0.00	100%
TOTAL	R 45,571,700.00	R15,214,000.00	R 8,174,247.61	R 7,039,752.39	54%

Chapter 5

Capital Expenditure - Funding Sources: Year -2012/13 to Year 2013/14				
R' 000				
Details	Year -2012/13	Year 2013/14		
	Actual	Original Budget (OB)	Adjustment Budget	Actual
Source of finance				
External loans	0	0	0	0
Public contributions and donations	0	0	0	0
Grants and subsidies	15828	14104	14104	14104
Other	1900	2500	2500	2500
Total	17728	16604	16604	16604
Percentage of finance				
External loans	0.0%	0.0%	0.0%	0.0%
Public contributions and donations	0.0%	0.0%	0.0%	0.0%
Grants and subsidies	89.3%	84.9%	84.9%	84.9%
Other	10.7%	15.1%	15.1%	15.1%
Capital expenditure				
Water and sanitation	0	0	0	0
Electricity	3000	1000	1000	2453
Housing	0	0	0	0
Roads and storm water	14728	8193	7839	7656
Other	0	5911	6265	2915
Total	17728	15104	15104	13024
Percentage of expenditure				
Water and sanitation	0.0%	0.0%	0.0%	0.0%
Electricity	16.9%	6.6%	6.6%	18.8%
Housing	0.0%	0.0%	0.0%	0.0%
Roads and storm water	83.1%	54.2%	51.9%	58.8%
Other	0.0%	39.1%	41.5%	22.4%
T 5.6.1				

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Chapter 5

Municipal Infrastructure Grant (MIG)* Expenditure Year 0 on Service backlogs						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjust- ments Budget	
Infrastructure - Road transport						
Roads, Pavements & Bridges	5,899	5,899	1,356	43%	43%	
Storm water						
Other Specify:						
Cradock Hawks Facility	6,265	6,265	2,915	46%	46%	
Upgrading of Phil Stadium	1,500	1,500	282	11%	11%	
Total				100%	100%	
* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.						T 5.8.3

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Delete Directive note once comment is completed – Give a brief comment on the importance of cash flow management. Refer to the scope of this activity as indicated in this component and what you regard as the key management features of your municipality's approach. Refer to any other cash flow issues of current relevance to your municipality that are not adequately provided for in the format of this component.

T 5.9

Chapter 5

5.9 CASH FLOW

	Year 2014/15 Actual Outcome
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts	229,058,613.00
Ratepayers and other	
Government-operating	
Government-Capital	
Interest	
Dividends	
Payments	-153,056,659.00
Suppliers and employees	
Finance charges	
Transfers and Grants	
NET CASH FROM (USED) OPERATING ACTIVITIES	76,001,954.00
CASH FLOW FROM INVESTING ACTIVITIES	
Receipts	138,418,397.00
Proceeds on disposal of PPE	0.00
Decrease (Increase) in non-current debtors	
Decrease (Increase) in non-current receivables	
Decrease (Increase) in non-current investments	
Payments	
NET CASH FROM (USED) INVESTMENT ACTIVITIES	0.00
CASH FLOW FROM FINANCING ACTIVITIES	
Receipts	
Short term loans	
Borrowing long term/refinancing	
Increase (decrease) in consumer deposits	
Payments	
Repayment of borrowing	
NET CASH FROM (USED) FINANCING ACTIVITIES	-75,347,328.00
NET INCREASE/(DECREASE) IN CASH HELD	654,626.00
Cash/cash equivalents at the year begin:	25,632,740.00
Cash/cash equivalents at the year end:	26,287,366.00

Source: MBRR A7

Chapter 5

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

Delete Directive note once comment is completed – Explain briefly the relevance of borrowing and investments to your municipality with reference to the tables below and your municipality's requirements in the year. Information may be sourced from table SA3 AND SA15 in the MBRR.

T 5.10.1

ACTUAL BORROWINGS : 2012 - 2015

Instrument	Year 2012/2013	Year 2013/14	Year 2014/15
Municipality	1294	911	482
Long term Loans (annuity/reducing balance)	1294	911	482
			T 5.10.3

MUNICIPAL AND ENTITY INVESTMENTS

Instrument	Year 2012/2013	Year 2013/14	Year 2014/15
Municipality			
Deposits - Bank	855	432	
Consolidated total	855	432	
			T 5.10.4

Chapter 5

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

Refer Chapter 2, section 2.8.

T 5.12.1

The municipality resolved in terms section 111 of Municipal Finance Management Act, No 56 of 2003 to have and to implement the Supply chain management policy.

The policy has been reviewed to ensure that it is aligned with new SCM regulation PPPF and other important legislative requirements.

This is to ensure that all procurement is fair, equitable, transparent, competitive and cost effective as required by the regulatory framework.

Also the staff employed in the unit have met the minimum competency requirement as they have passed the CPMD course which is a minimum competency requirement.

Inxuba Yethemba municipality has fairly new established SCM unit which is still under capacitated at the moment. This is due to the lack of funding as the municipality currently cannot afford to have a fully fledged unit. The lack of capacity has resulted in the unit not being able to fulfill its mandate and also some irregular expenditure incurred which could have been avoided. Also this meant that the procurement processes could not be co-ordinated in a matter befitting a fully fledged and capacitated unit.

Plans are being put in place to ensure that more capacity is added in order to strengthen the SCM unit.

Refer to information on long term contracts which is set out in **Appendix H**. Refer to further comments set out under the Financial Performance – Chapter 5, Component D.

T 2.8.1

5.13 GRAP COMPLIANCE

GRAP COMPLIANCE

Chapter 5

GRAP is the acronym for **G**enerally **R**ecognized **A**ccounting **P**ractice and it provides the rules by which municipalities are required to maintain their financial accounts. Successful GRAP compliance will ensure that municipal accounts are comparable and more informative for the municipality. It will also ensure that the municipality is more accountable to its citizens and other stakeholders. Information on GRAP compliance is needed to enable National Treasury to assess the pace of progress and consider the implications.

Refer to Chapter 6 for audit report findings.

T 5.13.1

Chapter 6

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

INTRODUCTION

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General.

Delete Directive note once comment is completed - Refer to the Annual Financial Statements set out in Volume II and the timescale for the audit of these accounts and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter. If this is the version of the annual report presented to Council in September then the Auditor-Generals statements on this year's submissions will not be available for inclusion in this Chapter and this should be explained.

T 6.0.1

COMPONENT A: AUDITOR-GENERAL OPINION OF FINANCIAL STATEMENTS YEAR -1

6.1 AUDITOR GENERAL REPORTS YEAR 2013 - 2014 (PREVIOUS YEAR)

AUDITOR GENERAL REPORT ON FINANCIAL PERFORMANCE YEAR 2013/2014	
Audit Report Status	
Non-Compliance Issues	Remedial Issues
Disclaimer	Audit Action plan was prepared by Inxuba Yethemba Municipality and monitored by Council
<p><i>Note: The report status is supplied by the Auditor General and ranges from unqualifiedd (at best); to unqualified with other matters specified; qualified; adverse and disclaimer (at worse)</i></p>	

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated

T 6.2.5

GLOSSARY

GLOSSARY

Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give <i>"full and regular"</i> reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe <i>"what we do"</i> .
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General performance indicators	Key After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.

GLOSSARY

Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	<ul style="list-style-type: none"> • Service delivery & infrastructure • Economic development • Municipal transformation and institutional development • Financial viability and management • Good governance and community participation
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.

GLOSSARY

Performance Targets:	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery Budget Implementation Plan	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote:	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <ul style="list-style-type: none"> <i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i> <i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i>

APPENDICES

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non- attendance
	FT/PT			%	%
Ms N C Goniwe	Full Time	Mayoral Committee	ANC	100%	
Mr L D Zizi	Part Time	Mayoral Committee, Chairperson Technical	ANC, Ward 8	93%	7%
Ms L Davids	Part Time	Mayoral Committee, Chairperson Finance	ANC	80%	20%
Ms N G Mzinzi	Part Time	Mayoral Committee, Chairperson Corporate	ANC	87%	13%
Mr T E Bobo	Part Time	Mayoral Committee, Chairperson Community	ANC, Ward 1	87%	13%
Mr S V Masawe	Part Time	Mayoral Committee, Speaker	ANC	100%	
Mr S Goniwe	Part Time	Technical Services	ANC, Ward 3	100%	
Ms J Sapbe	Part Time	Community Services	DA, Ward 4	100%	
Mr R H Schutze	Part Time	Finance Committee	DA, Ward 5	80%	20%
Mr S W Njobo	Part Time	Finance Committee	ANC, Ward 6	93%	7%
Ms C A Sammy	Part Time	Corporate Services	DA, Ward 7	100%	
Ms N E Maki	Part Time	Finance Committee	ANC, Ward 9	100%	
Ms T E Miners	Part Time	Community Services	ANC	100%	
Mr F N Erasmus	Part Time	Technical Services	DA	87%	13%
Ms Z Bani	Part Time	Community Services	ANC	80%	20%
Ms C E B Miles	Part Time	Community Services	DA	93%	7%
Ms E Kruger	Part Time	Technical Services	DA	93%	7%
Ms N E Ngcingolo	Part Time	Chairperson MPAC, Corporate Services	ANC, Ward 2	100%	
Note: * Councillors appointed on a proportional basis do not have wards allocated to them					T A

APPENDICES

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral/ Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Corporate Services Committee	To exercise oversight on corporate services matters.
Public Safety Committee	To exercise oversight on Public Safety matters.
Technical Services Committee	To exercise oversight on Technical Services matters.
Community Services Committee	To exercise oversight on Community Services matters.
Finance Committee	To exercise oversight on Financial matters.
Rules and Ethics Committee	Oversight role on the code of conduct of Councillors.
Local Geographical Names Committee	Standardization and renaming of identified features and public facilities.
Budget steering committee	Evaluate the income and expenditure activities of the municipality and make recommendations to section 80 committees for oversight.
Local Aids Forum Council	Creating awareness on the scourge of HIV and AIDS pandemic including coordination HIV awareness programmes in various workplaces
Local labour Forum Committee	Advice on issues of mutual interest involving management and the workforce.
Municipal Public Account Committee	<ul style="list-style-type: none"> To report to Council on the activities of the Committee, To review the municipality and municipal entity's annual report and develop the oversight report on the annual report, To promote good governance, transparency and public accountability, To examine the Mid Year Review document, To examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor General's recommendations have been implemented, To recommend any investigations in its area of competence to EXCO or Council, To seek any information and have access to it from any councillor/employee, To conduct investigation in the recovery of unauthorized, irregular or fruitless and wasteful expenditure in terms of Section 32 (2) of Municipal Finance Management Act (MFMA), To perform any other function assigned by resolution of Council
Women caucus	Playing an advocacy role in the protection of the rights and interests of the vulnerable groups comprising women, youth and people with disability.

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APPENDICES

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Corporate Services	Mr. B Sigenu - Corporate Services Manager
Local Economic Development	Mr. L Jojiyasi - LED Services Manager
Community Services	Mrs. N Majiba - Community Services Manager
Technical Services	Mr. A Saleni - Technical Services Manager
Finance	Mr. L Tukwayo - Chief Financial Officer
Office of the Municipal Manager	Mr. M Tantsi - Municipal Manager
TC	

APPENDICES

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

Municipal / Entity Functions		
MUNICIPAL FUNCTIONS	Function Applicable to Municipality (Yes / No)*	Function Applicable to Entity (Yes / No)
Constitution Schedule 4, Part B functions:		
Air pollution	Yes	N/A
Building regulations	Yes	N/A
Child care facilities	Yes	N/A
Electricity and gas reticulation	Yes	N/A
Firefighting services	Yes	N/A
Local tourism	Yes	N/A
Municipal airports	Yes	N/A
Municipal planning	Yes	N/A
Municipal health services	Yes	N/A
Municipal public transport	Yes	N/A
Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law	Yes	N/A
Pontons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	N/A	N/A
Stormwater management systems in built-up areas	Yes	N/A
Trading regulations	Yes	N/A
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	No	N/A
Beaches and amusement facilities	N/A	N/A
Billboards and the display of advertisements in public places	Yes	N/A
Cemeteries, funeral parlours and crematoria	Yes	N/A
Cleansing	Yes	N/A
Control of public nuisances	Yes	N/A
Control of undertakings that sell liquor to the public	Yes	N/A
Facilities for the accommodation, care and burial of animals	No	N/A
Fencing and fences	No	N/A
Licensing of dogs	No	N/A
Licensing and control of undertakings that sell food to the public	Yes	N/A
Local amenities	Yes	N/A
Local sport facilities	Yes	N/A
Markets	Yes	N/A
Municipal abattoirs	Yes	N/A
Municipal parks and recreation	Yes	N/A
Municipal roads	Yes	N/A
Noise pollution	Yes	N/A
Pounds	Yes	N/A
Public places	Yes	N/A
Refuse removal, refuse dumps and solid waste disposal	Yes	N/A
Street trading	Yes	N/A
Street lighting	Yes	N/A
Traffic and parking	Yes	N/A
* If municipality: indicate (yes or No); * If entity: Provide name of entity		T D

APPENDICES

APPENDIX E – WARD REPORTING

Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time
1	Bobo T	Yes	8	4
2	Nggingolo N	Yes	8	6
3	Goniwe S	Yes	8	6
4	Sadibe J	Yes	8	8
5	Schultz K	Yes	8	8
6	Njobo B	Yes	8	4
7	Sammy I	Yes	8	8
8	Zizi L	Yes	8	8
9	Maki N	Yes	8	8

APPENDICES

APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

Municipal Entity/Service Provider Performance Schedule						
Name of Entity & Purpose (i)	(a) Service Indicators (b) Service Targets (ii)	Year 0		Year 1		
		Target (iii)	Actual (iv)	Previous Year (v)	Target Current Year (vi)	Actual (vii)
Not applicable as Inkuba Yethemba Municipality does not have a municipal entity						

VOLUME II

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

Disclosures of Financial Interests		
Period 1 July to 30 June of Year 2013 - 2014		
Position	Name	Description of Financial Interests* (Nil / Or details)
(Executive) Mayor		
Member of MayCo / Exco		
Corporate Services	Mr. B Sigenu - Corporate Services Manager	Member of Nonesi Developments CC which is dormant
Local Economic Development	Mr. L Jojyasi - LED Services Manager	Nil for financial interest. Erf 179 held.
Community Services	Mrs. N Majiba - Community Services Manager	Shareholder of Akukhuni trading. No business operated as yet
Technical Services	Mr. A Saleni - Technical Services Manager	100% Shareholder in AMS Developers and Project Management. Erf 2730 held.
Councillor		
Speaker	S.V. Masawe	Nil
Councillor	Lena Davids	Nil
Ward Councillor	N.E. Maki	Xhongo Construction
Councillor	L.D. Zizi	Nil
Councillor	S.V. Njojo	25 shares held in Sasol Inzalo. Residential property R38,000
PR Councillor	Z Bani	Nil
Councillor: Ward 7	C.A. Sammy	Nil for financial interests. Residential property of R160,000.
Councillor: Ward 5	R.H. Schulze	Nil for financial interests. Residential property of R600,000
Councillor	N. G. Mzinzi	Nil
Councillor	E. Kruger	100% shareholder of GDE Leather CC.
Municipal Manager	Mr. M Tantsi - Municipal Manager	196 shares in Mulichoice and 100 shares held in Vodacom. Residential Erf 2619 occupied.
Chief Financial Officer	Mr. L Tukwayo	Nil
Other S57 Officials		

* Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A

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APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

Vote Description	R' 000					
	Year -2012/13	Current: Year 2013/14		Year 2013/14 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Council						
Executive Mayor	2,232					
Municipal Manager						
Corporate Services	198	363	132	156	57%	-18%
Finance	72,363	73,504	71,728	73,595	0%	-3%
Community Services	9,783	20,821	20,036	21,478	-3%	-7%
Technical Services	96,106	139,417	141,417	123,029	12%	13%
Local Economic Development	1,021	761	730	1,607	-111%	-120%
Example 9 - Vote 9						
Example 10 - Vote 10						
Example 11 - Vote 11						
Example 12 - Vote 12						
Example 13 - Vote 13						
Example 14 - Vote 14						
Example 15 - Vote 15						
Total Revenue by Vote	181,703	234,866	234,043	219,865	(0)	(0)

Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

This table is aligned to MBRR table A3

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APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
R '000						
Description	Year -2012/13	Current: Year 2013/14			Year 2013/14 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	21,784	21,900	21,324	21,409	-2%	0%
Property rates - penalties & collection charges	809	848	848	495	-71%	-71%
Service Charges - electricity revenue	46,550	79,229	79,229	79,417	0%	0%
Service Charges - water revenue	22,414	22,004	19,004	15,809	-39%	-20%
Service Charges - sanitation revenue	16,829	6,188	6,188	17,996	66%	66%
Service Charges - refuse revenue	2,316	13,831	13,830	14,765	6%	6%
Service Charges - other	172	226	160	174	-30%	8%
Rentals of facilities and equipment	1,725	1,654	1,609	2,095	21%	23%
Interest earned - external investments	855	80	55	432	81%	87%
Interest earned - outstanding debtors	5,894	6,890	6,500	6,100	-13%	-7%
Dividends received						
Fines	177	119	174	295	60%	41%
Licences and permits	2,631	3,126	2,366	2,742	-14%	14%
Agency services	4,405	16,214	16,214	6,565	-147%	-147%
Transfers recognised - operational	49,160	46,423	46,423	48,577	4%	4%
Other revenue	3,384	2,600	681	814	-219%	16%
Gains on disposal of PPE						
Environmental Protection						
Total Revenue (excluding capital transfers and contributions)	179,105	221,332	214,605	217,685	-1.68%	1.41%
Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.						T K.2

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APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

Conditional Grants: excluding MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor (continue below if necessary)
				Budget	Adjustments Budget	
Financial Management Grant	1,550	1,550	1,587	-2%	-2%	
Municipal Systems Improvements Grants	890	890	890	0%	0%	
Expanded public Works Grants	1,000	1,000	1,000	0%	0%	
Other Specify:						
Total	3,440	3,440	3,477			
<p>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</p>						TL

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APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	R'000						
	Year-2012/13	Year 2013/14			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 2014/15	FY + 2015/16	FY + 2016/17
Capital expenditure by Asset Class							
Infrastructure - Total	7,237	11,810	22,935	12,716	5,550	15,820	15,516
Infrastructure: Road transport - Total	4,637	5,899	16,670	9,801	4,800	800	-
Roads, Pavements & Bridges	4,637	5,899	16,670	9,801	4,800	800	
Storm water							
Infrastructure: Electricity - Total	2,600	-		-	-	-	-
Generation	2,600						
Transmission & Reticulation							
Street Lighting							
Infrastructure: Other - Total	-	5,911	6,265	2,915	750	15,020	15,516
Waste Management							
Transportation		5,911	6,265	2,915			
Gas							
Other					750	15,020	15,516
Community - Total	3,118	-	-	-	7,500	-	-
Parks & gardens							
Sportsfields & stadia					3,500		
Community halls					4,000		
Cemeteries	3,118						

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Capital Expenditure - New Assets Programme*							
R '000							
Description	Year -2012/13	Year 2013/14			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
Capital expenditure by Asset Class							
Heritage assets - Total	-	-		-	-	-	-
Buildings							
Other							
Investment properties - Total	-	-		-	-	-	-
Housing development							
Other							
Other assets	3,832	-		-	-	-	-
General vehicles	3,799						
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment	20						
Furniture and other office equipment	10						
Other	3						
Total Capital Expenditure on new assets	14,187	11,810	22,935	12,716	13,050	15,820	15,516

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APPENDIX N – CAPITAL PROGRAMME BY PROJECT YEAR 2014 – 2015

APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
Zambodla A.B(lingelihle)	Yes	Yes	Yes	Yes
Macembe E (lingelihle)	Yes	Yes	Yes	Yes
Carinus P.S (michausdal)	Yes	Yes	Yes	Yes
Middlandse (midros)	Yes	Yes	Yes	Yes
Ekuphumleni (Kwanonzame)	Yes	Yes	Yes	Yes
Kudekwalapha (lingelihle)	Yes	Yes	Yes	Yes
Solomon Akena (lingelihle)	Yes	Yes	Yes	Yes
J.A Ncaca (lingelihle)	Yes	Yes	Yes	Yes
Michausdal High (michausdal)	Yes	Yes	Yes	Yes
Michausdal Primary (michausdal)	Yes	Yes	Yes	Yes
Nxuba (Lingelihle)	Yes	Yes	Yes	Yes
Van der Merwe (midros)	Yes	Yes	Yes	Yes
Ellen Olivier (Midros)	Yes	Yes	Yes	Yes
N.G Kerk Primary(rosmead)	No	No	No	No
Rosmead Primary (rosemead)	No	No	No	No
Mathew Goniwe (lingelihle)	Yes	Yes	Yes	Yes
J.A Calata (lingelihle)	Yes	Yes	Yes	Yes
Clinics (NAMES, LOCATIONS)				
Philani (lingelihle)	Yes	Yes	Yes	Yes
Lingelihle (lingelihle)	Yes	Yes	Yes	Yes
Michausdal (michausdal)	Yes	Yes	Yes	Yes
Cradock town clinic	Yes	Yes	Yes	Yes
Middelburg Town Clinic	Yes	Yes	Yes	Yes
Midros Town Clinic	Yes	Yes	Yes	Yes
Kwanonzame New Clinic	Yes	Yes	Yes	Yes
Kwanonzame Old Clinic	Yes	Yes	Yes	Yes
Names and locations of schools and clinics lacking one or more services. Use 'x' to mark lack of service at appropriate level for the number of people attending the school/clinic, allowing for the proper functioning of the establishment concerned. Yes means that the services are in place.				TP

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APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Not applicable as Inxuba Yethemba Municipality provides services to the community. Another community service provider within the sphere of government is not involved.

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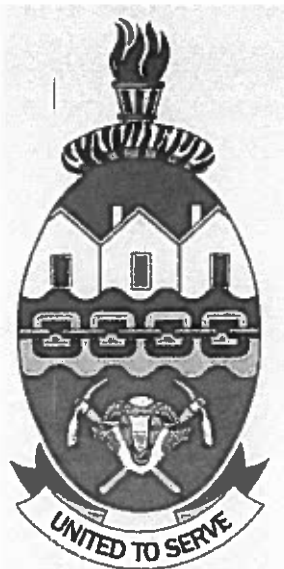
VOLUME II: ANNUAL FINANCIAL STATEMENTS

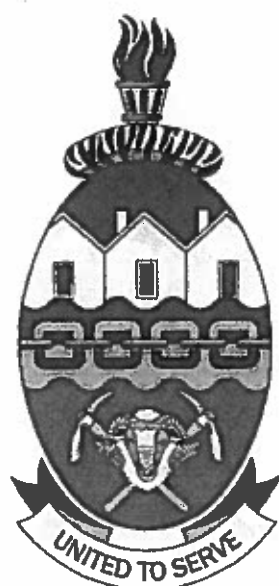
Provide the Annual Financial Statements (AFS) to the respective financial year as submitted to the Auditor-General. The completed AFS will be Volume II of the Annual Report.

2015

FINAL ANNUAL REPORT

Volume II





INXUBA YETHEMBA LOCAL MUNICIPALITY
Financial statements
for the year ended 30 June 2015

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

General Information

Nature of business and principal activities	Performing the functions of a local municipality as set out in the Constitution Act No. 108 of 1996
Mayoral committee	
Executive Mayor	N C Goniwe T E Bobo L Davids N G Mzinzi S V Masawe
Councillors	Z Bani F N Erasmus S Goniwe E Kruger N E Ngcingolo S W Njobo C A Sammy J Saptoe R H Schultze
Grading of local authority	Grade 2
Acting Chief Finance Officer (CFO)	Mrs R Crouse
Registered office	J A Calata Street Cradock 5880
Business address	J A Calata Street Cradock 5880
Bankers	First National Bank
Attorneys	Coetzee and Venter Nolte and Smith
Auditors	Auditor General South Africa
Relevant Legislation	Municipal Finance Management Act (Act no 56 of 2003); Division of revenue Act; The Income Tax; Value Added Tax; Municipal Structures Act (Act no 117 of 1995); Municipal Systems Act (Act no 32 of 2000); Municipal Planning and Performance Management Regulations; Water Service Act (Act no 108 of 1997); Housing Act (Act no 6 of 2004); Electricity Act (Act no 41 of 1987); Skills Development Levies Act (Act no 9 of 1999); Employment Equity Act (Act no 55 of 1998); Unemployment Insurance Act no 30 of 1996; Basic Conditions of Employment Act (Act no 75 of 1997); Supply Chain Management Regulations, Collective Agreements; SALBC Leave Regulations

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Index

The reports and statements set out below comprise the financial statements presented to the Council:

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Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
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INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the national and provincial government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the national and provincial government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 31 August 2015.

Accounting Officer
Designation

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	2	712,404	860,635
Receivables from exchange transactions	3&29	6,590,973	6,326,103
Consumer debtors	4	19,995,897	7,890,924
Receivables from non-exchange transactions	5&29	3,816,541	377,727
Cash and cash equivalents	6	26,287,366	30,179,373
		57,403,181	45,634,762
Non-Current Assets			
Investment property	7	32,888,549	32,888,549
Property, plant and equipment	8	656,146,063	686,363,613
Intangible assets	9	225,494	225,494
Heritage assets	10	4,724,385	4,724,385
Investments in controlled entities	11	100	100
		693,984,591	724,202,141
Total Assets		751,387,772	769,836,903
Liabilities			
Current Liabilities			
Other financial liabilities	12	482,476	429,474
Finance lease obligation	13	48,193	38,182
Payables from exchange transactions	14	28,684,353	26,178,598
VAT payable	15	22,092,964	23,477,219
Consumer deposits	16	4,248,044	4,113,320
Employee benefit obligation	28	77,524,214	-
Unspent conditional grants and receipts	17	7,039,752	4,914,989
Provisions	18	24,699,604	16,450,442
Lusaka Paving Project:EPWP		500,439	-
SDL & UIF		123,208	-
Lotto-Led & PAYE		2,707,318	-
Bank overdraft	6	-	4,536,633
		168,150,565	80,138,857
Non-Current Liabilities			
Other financial liabilities	12	-	482,476
Finance lease obligation	13	(56,653)	-
Employee benefit obligation	28	317,000	38,605,145
		260,347	39,087,621
Total Liabilities		168,410,912	119,226,478
Net Assets		582,976,860	650,610,425
Accumulated surplus		582,976,860	655,181,320

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	134,266,278	149,470,484
Rendering of services		2,459,263	294,910
Rental of facilities and equipment	20	1,913,223	2,190,189
Interest received	32	9,082,889	7,027,330
Other Revenue	32	478,057	394,503
Fines	31	643,502	295,478
Sundry fees		7,018	1,887
Licences and permits		2,602,764	5,101,054
Bailing Machine		-	135,100
Total revenue from exchange transactions		151,452,994	164,910,935
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	33	90,640,216	69,870,256
Total revenue	30	242,093,210	234,781,191
Expenditure			
Employee related costs	21	(65,303,891)	(69,264,213)
Remuneration of councillors	34	(6,547,858)	(6,293,573)
Administration	22	-	(5,402)
Depreciation and amortisation	23	(30,989,247)	(55,824,125)
Impairment loss/ Reversal of impairments	35	-	(2,390,846)
Finance costs	24	(2,251,164)	(1,360,145)
Lease rentals on operating lease	39	-	(26,601)
Repairs and maintenance		-	(11,494,353)
Bulk purchases	36	(61,333,318)	(42,861,082)
Contracted services	37	(2,336,606)	(5,789,143)
General Expenses	26	(69,394,556)	(79,058,892)
Total expenditure		(238,156,640)	(274,368,375)
Operating surplus (deficit)		3,936,570	(39,587,184)
Surplus (deficit) for the year		3,936,570	(39,587,184)

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2013	701,219,930	701,219,930
Changes in net assets		
Surplus for the year	(46,038,610)	(46,038,610)
Total changes	(46,038,610)	(46,038,610)
Restated* Balance at 01 July 2014	579,040,290	579,040,290
Changes in net assets		
Surplus for the year	3,936,570	3,936,570
Total changes	3,936,570	3,936,570
Balance at 30 June 2015	582,976,860	582,976,860

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		138,418,397	229,476,628
Grants		90,640,216	60,317,495
		229,058,613	289,794,123
Payments			
Employee costs		(71,851,749)	(92,601,960)
Suppliers		(78,295,787)	(206,192,732)
Finance costs		(1,462,154)	(1,287,047)
Other payments		(1,427,331)	-
		(153,037,021)	(300,081,739)
Net cash flows from operating activities	40	76,021,592	(10,287,616)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	-	(14,533,541)
Cash flows from financing activities			
Repayment of other financial liabilities		(429,474)	(699,283)
Movement in other liability 1		500,439	-
Movement in other liability 2		123,208	-
Movement in other liability 3		2,187,241	-
Finance lease payments		(835,652)	(1,057,212)
Other cash item	41	(76,912,727)	-
Net cash flows from financing activities		(75,366,965)	(1,756,495)
Net increase/(decrease) in cash and cash equivalents		654,627	(26,577,652)
Cash and cash equivalents at the beginning of the year		25,632,740	52,210,392
Cash and cash equivalents at the end of the year	6	26,287,367	25,632,740

* See Note

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	6,054,645	116,470,695	122,525,340	134,266,278	11,740,938
Rendering of services	2,331,977	(4,647,241)	(2,315,264)	2,459,263	4,774,527
Rental of facilities and equipment	120,573	1,687,780	1,808,353	1,913,223	104,870
Interest received (trading)	1,164,259	5,128,662	6,292,921	9,082,889	2,789,968
Municipal Revenue UD1	12,580	118,340	130,920	478,057	347,137
Fines	32,694	114,222	146,916	643,502	496,586
Sundry fees	-	2,500	2,500	7,018	4,518
Serach, Plan and clearance application fees	(952,162)	4,623,712	3,671,550	2,602,764	(1,068,786)

Total revenue from exchange transactions	8,764,566	123,498,670	132,263,236	151,452,994	19,189,758
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Revenue from non-exchange transactions

Taxation revenue

Government grants & subsidies	38,942,421	(15,581,117)	23,361,304	90,640,216	67,278,912
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Total revenue	47,706,987	107,917,553	155,624,540	242,093,210	86,468,670
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Expenditure

Personnel	(7,222,310)	(53,006,194)	(60,228,504)	(65,303,891)	(5,075,387)
Remuneration of councillors	(547,088)	(5,649,161)	(6,196,249)	(6,547,858)	(351,609)
Depreciation and amortisation	-	(53,769,512)	(53,769,512)	(30,989,247)	22,780,265
Finance costs	75,325	(785,740)	(710,415)	(2,251,164)	(1,540,749)
Bad debts written off	-	(6,457,269)	(6,457,269)	-	6,457,269
Bulk purchases	(10,713,225)	(31,573,550)	(42,286,775)	(61,333,318)	(19,046,543)
Contracted Services	-	(1,000,000)	(1,000,000)	(2,336,606)	(1,336,606)
General Expenses	(21,422,919)	(149,995,478)	(171,418,397)	(69,394,555)	102,023,842

Total expenditure	(39,830,217)	(302,236,904)	(342,067,121)	(238,156,639)	103,910,482
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Surplus before taxation	7,876,770	(194,319,351)	(186,442,581)	3,936,571	190,379,152
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Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	7,876,770	(194,319,351)	(186,442,581)	3,936,571	190,379,152
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INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 28.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20-60 years
Plant and machinery	Straight line	3-10 years
Furniture and fittings	Straight line	3-10 years
Motor vehicles	Straight line	3-20 years
Office equipment	Straight line	3-7 years
Roads	Straight line	20 years
Other property, plant and equipment	Straight line	3-12 years
Electricity	Straight line	10-50 years
Other equipment	Straight line	3-10 years
Security measures	Straight line	3 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3 years

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.9 Financial instruments (continued)

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

INXUBA YETHEMBA LOCAL MUNICIPALITY

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Accounting Policies

1.16 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.16 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Borrowing costs

1.20 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
2. Inventories		
Consumable stores	659,872	771,152
Fuel (Diesel, Petrol)	52,532	52,532
Water	-	36,951
	712,404	860,635
3. Receivables from exchange transactions		
Consumer debtors - Other 1	(494,873)	-
Deposits	9,320	11,701
Employee costs in advance	9,886	85,254
Sundry Debtors	6,188,522	5,722,666
Mmottie Investments	16,864	16,864
Prepayments	861,254	489,618
	6,590,973	6,326,103
4. Trade and other receivables from exchange transactions		
Gross balances		
Rates	39,272,408	35,046,494
Electricity	19,277,522	14,878,066
Water	(29,144,466)	12,589,868
Sewerage	25,460,443	25,375,708
Refuse	45,878,730	41,610,126
Other receivables	(115,716)	-
	100,628,921	129,500,262
Less: Allowance for impairment		
Rates	(38,979,704)	(33,376,089)
Electricity	(13,691,966)	(14,406,857)
Water	3,573,173	(11,960,375)
Sewerage	(5,748,437)	(24,106,923)
Refuse	(32,705,088)	(39,616,446)
Other	6,918,997	1,857,352
	(80,633,025)	(121,609,338)
Net balance		
Rates	292,704	1,670,405
Electricity	5,585,557	471,209
Water	(25,571,293)	629,494
Sewerage	19,712,005	1,268,786
Refuse	13,173,642	1,993,681
Other	6,803,282	1,857,352
	19,995,897	7,890,927
Rates		
Current (0 -30 days)	8,351	1,670,405
31 - 60 days	16,702	-
61 - 90 days	33,494	-
91 - 120 days	42,084	-
121 - 365 days	50,435	-
> 365 days	141,638	-
	292,704	1,670,405

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Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
4. Trade and other receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	75,850	471,209
31 - 60 days	151,700	-
61 - 90 days	227,550	-
91 - 120 days	303,400	-
121 - 365 days	379,250	-
> 365 days	4,447,807	-
	5,585,557	471,209
Water		
Current (0 -30 days)	-	629,493
	(25,571,293)	629,494
Sewerage		
Current (0 -30 days)	379,250	1,268,786
31 - 60 days	758,500	-
61 - 90 days	2,275,500	-
91 - 120 days	4,930,250	-
121 - 365 days	5,309,500	-
> 365 days	6,059,005	-
	19,712,005	1,268,786
Refuse		
Current (0 -30 days)	173,642	1,993,681
31 - 60 days	347,284	-
61 - 90 days	1,041,852	-
91 - 120 days	3,125,556	-
121 - 365 days	6,251,112	-
> 365 days	2,234,196	-
	13,173,642	1,993,681
Other (specify)		
Current (0 -30 days)	75,870	1,857,352
31 - 60 days	227,610	-
61 - 90 days	2,800,547	-
91 - 120 days	857,352	-
121 - 365 days	1,270,130	-
> 365 days	2,800,547	-
	6,803,282	1,857,352
Reconciliation of allowance for impairment		
Balance at beginning of the year	(121,609,336)	(196,096,806)
Contributions to allowance	40,976,312	74,487,470
	(80,633,024)	(121,609,336)
5. Receivables from non-exchange transactions		
Fines	(1)	3,111
Sundry Debtors	3,816,542	377,727
	3,816,541	380,838

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	16,511	16,511
Bank balances	24,639,923	29,672,544
Short-term deposits	1,630,932	490,317
Bank overdraft	-	(4,546,633)
	26,287,366	25,632,739
Current assets	26,287,366	30,179,373
Current liabilities	-	(4,546,633)
	26,287,366	25,632,740

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. Although credit quality can be assessed the municipality did not apply any methods to evaluate the credit quality.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
Bank Account no 2	2,200,455	1,524,746	-	11,643,020	-	-
General Bank Control A/C	42,732	43,657	-	5,868,038	-	-
Bank 2 control A/C	-	-	-	80,800	-	-
Bank 1 Control A/C	-	-	-	3,797,464	-	-
Bank suspense A/C	-	-	-	3,250,602	-	-
FNB-MIG Investment	23,004	-	-	1,630,932	-	-
Standardbank Investment 1	39,353	-	-	-	-	-
Standardbank Investment 2	1,248,660	-	-	-	-	-
ABSA 1	141,509	-	-	-	-	-
ABSA 2	58,285	-	-	-	-	-
ABSA 3	121,529	-	-	-	-	-
Cash floats	-	-	-	12,551	-	-
Cash on hand	-	-	-	3,960	-	-
Total	3,875,527	1,568,403	-	26,287,367	-	-

7. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	32,888,549	-	32,888,549	32,888,549	-	32,888,549

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

8. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	49,910,392	-	49,910,392	49,910,392	-	49,910,392
Buildings	28,713,044	(3,485,199)	25,227,845	28,713,044	(3,485,199)	25,227,845
Plant and machinery	2,557,538	(1,288,117)	1,269,421	2,557,538	(1,175,381)	1,382,157
Furniture and fixtures	1,450,697	(1,367,872)	82,825	1,450,697	(1,352,445)	98,252
Motor vehicles	6,185,172	(3,128,684)	3,056,488	6,185,172	(2,354,526)	3,830,646
Office equipment	368,713	(41,686)	327,027	474,433	(105,720)	368,713
Computer equipment	761,712	(358,755)	402,957	761,712	(269,261)	492,451
Infrastructure	764,665,427	(203,919,500)	560,745,927	764,665,427	(174,635,451)	590,029,976
Landfill sites	-	100,000	100,000	-	-	-
Work in Progress	15,023,181	-	15,023,181	15,023,181	-	15,023,181
Total	869,635,876	(213,489,813)	656,146,063	869,741,596	(183,377,983)	686,363,613

Reconciliation of property, plant and equipment - 2015

	Opening balance	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Total
Land	49,910,392	-	-	-	-	49,910,392
Buildings	25,227,845	-	-	-	-	25,227,845
Plant and machinery	1,382,157	-	(112,736)	-	-	1,269,421
Furniture and fixtures	98,252	-	-	(1,367,873)	1,352,446	82,825
Motor vehicles	3,830,646	-	-	(5,624,928)	4,850,770	3,056,488
Office equipment	368,713	-	(41,686)	-	-	327,027
Computer equipment	492,450	-	(89,493)	-	-	402,957
Infrastructure	590,029,976	(8,800)	-	(206,769,492)	177,494,243	560,745,927
Landfill sites	-	-	-	(104,413,066)	104,513,066	100,000
Work in Progress	15,023,181	-	-	-	-	15,023,181
	686,363,612	(8,800)	(243,915)	(318,175,359)	288,210,525	656,146,063

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Other changes, movements	Impairment loss	Total
Land	-	-	49,910,392	-	49,910,392
Buildings	-	-	25,227,845	-	25,227,845
Plant and machinery	97,637,856	1,430,182	(96,732,189)	(953,692)	1,382,157
Furniture and fixtures	1,466,160	43,718	(713,570)	(698,056)	98,252
Motor vehicles	6,570,383	2,314,379	(3,944,674)	(1,109,442)	3,830,646
Office equipment	338,698	249,837	(201,796)	(18,026)	368,713
Computer equipment	(1,587,328)	351,877	1,764,202	(36,301)	492,450
Infrastructure	530,878,479	-	59,151,497	-	590,029,976
Landfill sites	(1,004,929)	-	1,004,929	-	-
Work in Progress	(4,570,649)	10,143,548	9,450,282	-	15,023,181
	629,728,670	14,533,541	44,916,918	(2,815,517)	686,363,612

Pledged as security

Carrying value of assets pledged as security:

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand

2015

2014

8. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

9. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	-	(94,245)	(94,245)	-	(94,245)	(94,245)
Intangible assets 1	319,739	-	319,739	319,739	-	319,739
Total	319,739	(94,245)	225,494	319,739	(94,245)	225,494

Reconciliation of intangible assets - 2015

	Opening balance	Total
Computer software, internally generated	(94,245)	(94,245)
Intangible assets 1	319,739	319,739
	225,494	225,494

Reconciliation of intangible assets - 2014

	Opening balance	Other changes, movements	Impairment loss	Total
Computer software, internally generated	-	(42,069)	(52,176)	(94,245)
Intangible assets 1	-	319,739	-	319,739
	-	277,670	(52,176)	225,494

10. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	4,724,385	-	4,724,385	4,724,385	-	4,724,385

Reconciliation of heritage assets 2015

	Opening balance	Total
Historical monuments	4,724,385	4,724,385

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical monuments	4,724,385	4,724,385

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand 2015 2014

11. Investments in controlled entities

Name of company	Held by	% holding 2015	% holding 2014	Carrying amount 2015	Carrying amount 2014
Group co ID 1		- %	100.00 %	100	100

The carrying amounts of controlled entities are shown at cost.

12. Other financial liabilities

At amortised cost		
Bank loan	482,476	429,474
Terms and conditions		
DBSA Loan	-	482,476
	482,476	911,950

Total other financial liabilities	482,476	911,950
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Non-current liabilities		
At amortised cost	-	482,476

Current liabilities		
At amortised cost	482,476	429,474

13. Finance lease obligation

Minimum lease payments due		
- within one year	-	38,182

Non-current liabilities	(56,653)	-
Current liabilities	48,193	38,182
	(8,460)	38,182

14. Payables from exchange transactions

Trade payables	24,947,306	759,062
Accrued insurance	468,108	296,951
Unallocated Receipts	7,376,274	19,514,840
Attorneys Fees	(12,801)	94,872
Sundry Creditors	(6,174,289)	2,991,117
Accrued Leave	2,075,905	2,521,756
Other Creditors #4	3,850	-
	28,684,353	26,178,598

15. VAT payable

Opening balance	22,092,964	18,899,436
Transfers payable	-	(17,779,519)
Amounts payable to other members of economic entity	-	23,922,668
	-	(15,203,113)
	-	13,637,749
	22,092,964	23,477,221

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
16. Consumer deposits		
Electricity	1,167,189	1,082,421
Water	2,104,794	2,160,216
Housing rental	976,061	870,683
	4,248,044	4,113,320

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Unspent grants - MIG Funding	7,039,752	4,914,989
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The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Utilised during the year	Total
Landfill Rehabilitation	15,690,426	8,458,710	24,149,136
Legal proceedings	16,715	-	16,715
Performance bonus	493,849	39,904	533,753
Property Rates	249,451	(249,451)	-
	16,450,441	8,249,163	24,699,604

Reconciliation of provisions - 2014

	Opening Balance	Utilised during the year	Total
Landfill rehabilitation	25,587,093	(9,896,667)	15,690,426
Legal proceedings	16,715	-	16,715
Performance bonus	301,426	192,423	493,849
Provision 3	-	249,451	249,451
	25,905,234	(9,454,793)	16,450,441

19. Service charges

Service charges	29,968,386	23,556,157
Sale of electricity	87,816,596	79,527,721
Sale of water	327,126	13,504,364
Sewerage and sanitation charges	-	17,985,786
Refuse removal	15,835,055	14,764,910
Other service charges	319,114	131,546
	134,266,277	149,470,484

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
20. Rental of facilities and equipment		
Premises		
Parking	780	789
Premises	996,651	880,916
Venue hire	88,420	151,920
	1,085,851	1,033,625
Facilities and equipment		
Other	117,489	68,287
Rental of facilities	709,252	1,085,417
Rental of equipment	631	2,859
	827,372	1,156,563
	1,913,223	2,190,188

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
21. Employee related costs		
Basic	47,270,129	52,002,460
Bonus	3,366,668	3,564,883
Defined contribution plans	-	(313,924)
Housing benefits and allowances	47,766	-
Medical aid - company contributions	5,712,449	3,884,391
Other allowance	61,044	152,536
Other payroll levies	25,297	34,855
Overtime payments	3,341,429	4,606,266
SDL	650,036	705,384
Travel, motor car, accommodation, subsistence and other allowances	4,394,178	4,117,096
UIF	434,895	510,266
	65,303,891	69,264,213
Remuneration of municipal manager		
Annual Remuneration	848,484	-
Car Allowance	181,884	-
Performance Bonuses	64,466	-
Contributions to UIF, Medical and Pension Funds	8,000	-
Public office Allowance	11,016	-
Subsistence Allowance	22,032	-
Telephone, parking and badges	180	-
	1,136,062	-
Remuneration of chief finance officer		
Annual Remuneration	667,040	-
Car Allowance	191,940	-
Contributions to UIF, Medical and Pension Funds	8,306	-
Telephone, parking and badges	1,549	-
	868,835	-
Remuneration of Corporate services manager		
Annual Remuneration	723,000	-
Car Allowance	131,688	-
Performance Bonuses	52,139	-
Contributions to UIF, Medical and Pension Funds	105,271	-
Housing Allowance	14,292	-
Telephone , parking and badges	195	-
	1,026,585	-
Remuneration of Community services manager		
Annual Remuneration	672,864	-
Car Allowance	178,764	-
Performance Bonuses	43,449	-
Contributions to UIF, Medical and Pension Funds	52,249	-
Telephone, parking and badges	17,352	-
	964,678	-
Remuneration of Local Economic Development manager		
Annual Remuneration	667,716	-
Car Allowance	188,520	-

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
21. Employee related costs (continued)		
Performance Bonuses	52,139	-
Contributions to UIF, Medical and Pension Funds	52,087	-
	960,462	-
Remuneration of Technical services manager		
Annual Remuneration	647,172	-
Car Allowance	102,590	-
Performance Bonuses	2,082	-
Contributions to UIF, Medical and Pension Funds	9,445	-
	761,289	-
22. Administrative expenditure		
Administration and management fees - third party	-	5,402
23. Depreciation and amortisation		
Property, plant and equipment	30,989,247	55,824,125
24. Finance costs		
Non-current borrowings	-	1,271,574
Trade and other payables	1,462,154	15,473
Finance leases	789,010	73,098
	2,251,164	1,360,145

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
25. Debt impairment		
26. General expenses		
Accounting fees	89,129	61,190
Advertising	219,000	412,957
Auditors remuneration	540,945	4,009,540
Bank charges	448,583	683,481
Commission paid	911,202	933,321
Computer expenses	2,279,926	1,245,823
Consulting and professional fees	1,198,056	943,428
Consumables	582,094	1,264,966
Entertainment	65,433	90,686
Grant Expenditure	28,762,075	31,830,230
Hire	610,170	675,380
Insurance	1,203,978	891,214
Community development and training	188,962	408,510
Conferences and seminars	225,989	296,233
Levies	8,235,053	9,934,827
Motor vehicle expenses	2,503,540	3,316,281
Postage and courier	484,263	723,687
Printing and stationery	404,154	475,738
Security	2,571,007	5,138,853
Staff welfare	713,608	638,887
Subscriptions and membership fees	849,348	458,554
Telephone and fax	2,544,033	2,643,171
Transport and freight	-	4,160
Training	729,382	455,822
Deeds transfer	4,555	7,211
Assets expensed	3,180,786	10,020,754
Electricity	515,470	273,271
Tourism development	152,162	12,850,146
Special programmes	2,314,325	2,156,654
Licence fees	308,054	865,132
Other expenses	6,559,274	2,980,640
	69,394,556	96,690,747

27. Other financial assets

28. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(77,841,214)	(38,605,145)
Non-current liabilities	(317,000)	(38,605,145)
Current liabilities	(77,524,214)	-
	(77,841,214)	(38,605,145)

Net expense recognised in the statement of financial performance

Current service cost	-	1,314,085
Interest cost	-	2,037,104
Actuarial (gains) losses	-	(2,312,113)
Settlement	-	(1,353,000)
	-	(313,924)

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
29. Consumer debtors disclosure		
Less: Allowance for impairment		
Consumer debtors - Other 1	(494,873)	-
Net balance		
Consumer debtors - Other 1	(494,873)	-
Business service levies		
Current (0 -30 days)	(494,873)	-
30. Revenue		
Rendering of services	2,459,263	294,910
Service charges	134,266,278	149,470,484
Rental of facilities and equipment	1,913,223	2,190,189
Interest received (trading)	9,082,889	7,027,330
Municipal Revenue UD1	478,057	394,503
Fines	643,502	295,478
Sundry fees	7,018	1,887
Serach,Plan and clearance application fees	2,602,764	5,101,054
Other farming income 1	-	135,100
Government grants & subsidies	90,640,216	69,870,256
	242,093,210	234,781,191
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	134,266,278	149,470,484
Rendering of services	2,459,263	294,910
Rental of facilities and equipment	1,913,223	2,190,189
Interest received (trading)	9,082,889	7,027,330
Municipal Revenue UD1	478,057	394,503
Fines	643,502	295,478
Sundry fees	7,018	1,887
Serach,Plan and clearance application fees	2,602,764	5,101,054
Other farming income 1	-	135,100
	151,452,994	164,910,935
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	90,640,216	69,870,256
31. Fines		
Fines	643,502	295,478
Sundry fees	7,018	1,887
Serach,Plan and clearance application fees	2,602,764	5,101,054
Other farming income 1	-	135,100
	3,253,284	5,533,519

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
32. Other Income		
33. Government grants and subsidies		
Operating grants		
Equitable share	40,565,303	40,341,000
MSIG Grant	1,048,211	890,000
LG Finance Management Grant	1,600,000	1,550,000
DSRAC Grant Libraries	2,510,000	2,510,000
Government grant (operating) 4	-	59,158
Government grant (operating) 5	-	157,596
Government grant (operating) 6	-	16,193
Government grant (operating) 7	-	756,404
Government grant (operating) 8	-	52,395
Cradock Cemetary:PH2	13,559,732	12,599,766
MV Line Cradock/Michausdal	439	439
Equit share FEB	2,456,250	1,862,640
Government grant (operating) 12	-	4,716,692
Government grant	-	1,847,899
EPWP Grant	1,487,000	-
Capital grants provincial	27,193,237	-
LGW SETA (ABET)	220,045	302,381
Government grant (operating) 17	-	692,248
Government grant (operating) 18	-	219,469
Government grant (operating) 19	-	800,000
Government grant (operating) 20	-	495,976
	90,640,217	69,870,256
34. Remuneration of councillors		
Executive Mayor-N C Goniwe	760,295	719,486
Mayoral Committee Members	1,506,490	1,432,495
Speaker-S V Masawe	595,665	563,053
Councillors	2,837,008	2,670,924
Other	848,400	907,615
	6,547,858	6,293,573

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
35. Impairment of assets		
Impairments		
Property, plant and equipment	-	2,338,671
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
Intangible assets	-	52,176
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
	-	2,390,847

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed.]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

The main events and circumstances that led to the recognition of these impairment losses are as follows:

The main events and circumstances that led to the reversals of these impairment losses are as follows:

36. Bulk purchases

Electricity	61,333,318	42,745,960
Water	-	115,122
	61,333,318	42,861,082

37. Contracted services

Other Contractors	2,336,606	5,789,143
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38. Auditors' remuneration

Fees	540,945	4,009,540
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39. Operating lease

Describe the lessee's significant leasing arrangements which include:

- basis on which contingent rent payable is determined.
- the existence and terms of renewal or purchases options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends or similar distributions, additional debt and further leasing.

INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand	2015	2014
40. Cash generated from (used in) operations		
Surplus (deficit)	3,936,570	(46,038,610)
Adjustments for:		
Depreciation and amortisation	30,989,247	55,824,125
Finance costs - Finance leases	789,010	73,098
Impairment deficit	-	2,390,846
Movements in retirement benefit assets and liabilities	39,236,069	(1,599,924)
Movements in provisions	8,249,162	(9,454,793)
Changes in working capital:		
Inventories	148,231	(153,412)
Receivables from exchange transactions	(264,870)	(1,022,559)
Consumer debtors	(12,104,971)	4,871,663
Other receivables from non-exchange transactions	(3,435,704)	86,131
Payables from exchange transactions	2,505,756	(6,021,656)
VAT	3,193,528	3
Unspent conditional grants and receipts	2,124,763	(9,552,761)
Consumer deposits	134,724	310,233
Lotto-Led & PAYE	520,077	-
	76,021,592	(10,287,616)

41. Other cash item 1

42. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

43. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Unauthorised expenditure

Unauthorised expenditure	19,077,736	-
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INXUBA YETHEMBA LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2015

Notes to the Financial Statements

Figures in Rand		2015	2014
45. Fruitless and wasteful expenditure			
Fruitless and wasteful expenditure		-	422,225
Opening balance		437,678	15,473
Current year		1,093,301	-
		1,530,979	437,698
46. Irregular expenditure			
Opening balance		20,611,458	15,819,458
Add: Irregular Expenditure - current year		1,325,428	4,792,000
Less: Amounts condoned		(1,325,428)	-
		20,611,458	20,611,458
Analysis of expenditure awaiting condonation per age classification			
Current year		1,325,428	-
Prior years		20,611,458	-
		21,936,886	-
Details of irregular expenditure – current year			
	Disciplinary steps taken/criminal proceedings		
Deviation from Supply Chain Management policies and procedures	None		1,325,428
Details of irregular expenditure condoned			
	Condoned by (condoning authority)		
Deviation from Supply Chain Management policies and procedures	Council		1,325,428

Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on the Inxuba Yethemba Municipality

Report on the financial statements

Introduction

1. I was engaged to audit the financial statements of the Inxuba Yethemba Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing (ISA). Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

4. I was unable to obtain sufficient appropriate audit evidence regarding the financial statements as a whole, as the financial statements were presented for audit purposes without accurate and complete underlying accounting records. I was unable to audit the financial statements by alternative means. Consequently, I was unable to determine whether any adjustments relating to the financial statements as a whole were necessary.

Disclaimer of opinion

5. Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unauthorised expenditure

7. As disclosed in note 49 to the financial statements, unauthorised expenditure of R19,1 million was incurred in the current year due to the municipality not monitoring the implementation of the budget, as required by the MFMA.

Irregular expenditure

8. As disclosed in note 51 to the financial statements, irregular expenditure of R1,3 million (2013-14: R4,8 million) was incurred in the current year due to the municipality not adhering to supply chain management (SCM) regulations and procedures.

Fruitless and wasteful expenditure

9. As disclosed in note 50 to the financial statements, fruitless and wasteful expenditure of R1,1 million was incurred in the current year due to the municipality not adhering to MFMA requirements regarding the payment of creditors.

Additional matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Withdrawal from the audit engagement

11. Due to the limitation imposed on the scope of the audit by management, I have disclaimed my opinion on the financial statements. But for the legislated requirement to perform the audit of the municipality, I would have withdrawn from the engagement in terms of the ISAs.

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Report on other legal and regulatory requirements

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2015:
- Basic infrastructure development and services, on pages ... to ...
 - Community services, on pages ... to ...
 - Local economic development, on pages ... to ...
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the selected development priorities are as follows:

Basic infrastructure development and services

Usefulness of reported performance information

Consistency of objectives, indicators and targets

19. Section 41(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 24% of the reported objectives, 69% of the reported indicators and 100% of the reported targets were not consistent with those in the approved service delivery and budget implementation plan. This was due to management reporting on additional key performance objectives, indicators and targets in the annual performance report that were not included in the municipality's service delivery and budget implementation plan.

20. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. However, material changes were made to the objectives, indicators and targets in the annual performance report, without following the process as prescribed in section 28 of the MFMA and without adoption by the municipal council. This was due to management reporting on additional key performance objectives, indicators and targets in the annual performance report that were not included in the municipality's service delivery and budget implementation plan.

Reliability of reported performance information

21. The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information, and the auditee's records not permitting the application of alternative audit procedures.

Community services

Usefulness of reported performance information

Consistency of objectives, indicators and targets

22. Section 41(c) of the MSA requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 47% of the reported objectives, 35% of the reported indicators and 91% of the reported targets were not consistent with those in the approved service delivery and budget implementation plan. This was due to management reporting on an additional key performance objective and target in the annual performance report that was not included in the municipality's service delivery budget and implementation plan.
23. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. However, material changes were made to the objectives, indicators and targets in the annual performance report, without following the process as prescribed in section 28 of the MFMA and without adoption by the municipal council. This was due to management reporting on additional key performance objectives, indicators and targets in the annual performance report that were not included in the municipality's service delivery and budget implementation plan.

Measurability of targets

24. Performance targets should be specific in clearly identifying the nature and required level of performance, measurable and time bound, as required by the FMPPI. A total of 29% of the significantly important targets in relation to the primary function of the municipality were not specific, measurable and time bound. This was because although management was aware of the requirements of the FMPPI, they had not implemented appropriate systems and processes and did not exercise due care to enable the application of the principles in the FMPPI.

Reliability of reported performance information

25. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information, and the auditee's records not permitting the application of alternative audit procedures.

Local economic development

Usefulness of reported performance information

Consistency of objectives, indicators and targets

26. Section 41(c) of the MSA requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 76% of the reported objectives, 34% of the reported indicators and 39% of the reported targets were not consistent with those in the approved service delivery and budget implementation plan. This was due to management amending the wording used in the annual performance report as well as including additional key performance indicators and targets in the annual performance report.
27. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. However, material changes were made to the objectives in the annual performance report, without following the process as prescribed in section 28 of the MFMA and without adoption by the municipal council. This was due to management reporting on additional key performance objectives in the annual performance report that were not included in the municipality's service delivery and budget implementation plan.

Measurability of indicators

28. Performance indicators should be well defined by having clear definitions so that data can be collected consistently and is easy to understand and use, as required by the FMPPI. A total of 38% of the significantly important indicators in relation to the primary function or purpose of the municipality were not well defined. The processes and systems that produced the indicator should also be verifiable, as required by the FMPPI. A total of 31% of the significantly important indicators in relation to the primary function or purpose of the municipality were not verifiable. This was because although management was aware of the requirements of the FMPPI, they had not implemented appropriate systems and processes and did not exercise due care to enable the application of the principles in the FMPPI.

Reliability of reported performance information

29. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information, and the auditee's records not permitting the application of alternative audit procedures.

Additional matters

30. I draw attention to the following matters:

Achievement of planned targets

31. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability of the reported performance information for the selected development priorities in paragraphs 19 to 29 of this report.

Unaudited supplementary schedules

32. The supplementary information set out on pages xx to xx does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

33. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual report and annual financial statements

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not corrected and the supporting records could not subsequently be provided, which resulted in the financial statements receiving a disclaimer of audit opinion.
35. Consolidated financial statements were not submitted for auditing within three months after the end of the financial year, as required by section 126(1)(b) of the MFMA.
36. Consolidated annual financial statements were not prepared, as required by section 122(2) of the MFMA.
37. The non-submission of the annual financial statements to the auditor-general for auditing was not appropriately addressed by the mayor and the municipal council, as required by section 133(1) of the MFMA.

Asset management

38. An adequate management, accounting and information system was not in place to account for assets, as required by section 63(2)(a) of the MFMA.
39. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
40. The municipality did not establish an investment policy that was adopted by council, as required by section 13(2) of the Municipal Finance Management Act and Municipal investment regulation 3(1)(a)

Consequence management

41. Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
42. The condonation of irregular expenditure was not approved by the appropriate relevant authority, as required by sections 1 and 170 of the MFMA.

Expenditure management

43. Sufficient appropriate audit evidence could not be obtained that money owed by the municipality had always been paid within 30 days, as required by section 65(2)(e) of the MFMA.
44. Sufficient appropriate audit evidence could not be obtained that payments from the municipality's bank account had been approved by the accounting officer or a properly authorised official, as required by section 11(1) of the MFMA.
45. An effective system of expenditure control (including procedures for the approval, authorisation, withdrawal and payment of funds) was not in place, as required by section 65(2)(a) of the MFMA.

46. An adequate management, accounting and information system was not in place to account for creditors, as required by section 65(2)(b) of the MFMA.
47. Reasonable steps were not taken to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Liability management

48. An adequate management, accounting and information system was not in place to account for liabilities, as required by section 63(2)(a) of the MFMA.
49. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the MFMA.

Revenue management

50. An adequate management, accounting and information system was not in place to account for receipts of revenue, as required by section 64(2)(e) of the MFMA.
51. An effective system of internal control for debtors was not in place, as required by section 64(2)(f) of the MFMA.
52. Sufficient appropriate audit evidence could not be obtained that revenue due to the municipality had been calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
53. Sufficient audit evidence could not be obtained that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.
54. A credit-control and debt-collection policy was not adopted, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.

Conditional grants and transfers

55. The municipality did not evaluate its performance in respect of programmes or functions funded by the municipal infrastructure grant, municipal systems improvement grant and local government financial management grant allocation, as required by section 12(5) of DoRA.

Procurement and contract management

56. Sufficient appropriate audit evidence could not be obtained that all contracts had been awarded in accordance with the legislative requirements and a procurement process that is fair, equitable, transparent and competitive, as all requested documentation could not be provided due to a poor document management system.
57. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value below R200 000 had been procured by means of obtaining the required price quotations, as required by supply chain management (SCM) regulation 17(a) and (c).
58. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).

59. Sufficient appropriate audit evidence could not be obtained that bid specifications had been drafted by bid specification committees composed of one or more officials of the municipality, as required by SCM regulation 27(3).
60. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding had been advertised for the required minimum period, as required by SCM regulation 22(1) and 22(2).
61. Sufficient appropriate audit evidence could not be obtained that bids had been evaluated by bid evaluation committees composed of officials from the departments requiring the goods or services and at least one SCM practitioner of the municipality, as required by SCM regulation 28(2).
62. Sufficient appropriate audit evidence could not be obtained that bid adjudication had always been done by committees composed in accordance with SCM regulation 29(2).
63. Sufficient appropriate audit evidence could not be obtained that construction contracts had been awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act of South Africa, 2000 (Act No. 38 of 2000) (CIDB Act) and CIDB regulations 17 and 25(7A).
64. Sufficient appropriate audit evidence could not be obtained that contracts and quotations had only been awarded to providers whose tax matters have been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
65. Sufficient appropriate audit evidence could not be obtained that contracts had only been extended or modified after tabling the reasons for the proposed amendment in the council of the municipality, as required by section 116(3) of the MFMA.
66. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
67. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, contrary to section 116(2)(c) of the MFMA.

Human resource management

68. An approved staff establishment was not in place, as required by section 66(1)(a) of the MSA.
69. Sufficient appropriate audit evidence could not be obtained that job descriptions were established for all posts in which appointments were made in the current year, as required by section 66(1)(b) of MSA.
70. An acting CFO was appointed for a period of more than three months without the approval by the MEC or for more than six months in contravention of section 54A(2A) of the MSA.

Strategic planning and performance management

71. Revisions to the service delivery and budget implementation plan were not approved by the council after the approval of the adjustments budget, as required by section 54(1)(c) of the MFMA.

72. The performance of the municipality was not assessed during the first half of the financial year, as required by section 72(1)(a)(ii) of the MFMA.
73. The annual performance report for the year under review did not include the performance of the municipality and each external service provider, a comparison of the performance with set targets, a comparison with the previous financial year as well as measures taken to improve performance, as required by section 46(1)(a)(b) and (c) of the MSA.
74. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
75. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.

Internal control

76. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report

Leadership

77. The leadership did not fulfil its oversight responsibilities with regard to the implementation and monitoring of internal controls and compliance with laws and regulations, and did not insist on daily disciplines to ensure sound financial and performance management and compliance with laws and regulations. The slow response by the accounting officer and management to the AGSA's messages of the previous audit has contributed to the repeat material misstatements in the financial statements and non-compliance with laws and regulations.
78. Although there was no change in leadership, the municipality has not improved from the prior year. Notwithstanding the consistency in leadership, there was a lack of oversight and accountability, and together with management's failure to adequately respond to prior year internal and external audit findings, this resulted in a number of repeat audit findings.
79. Oversight responsibilities regarding the monitoring of internal controls over financial reporting and compliance with applicable laws and regulations were not adequately performed. This resulted in material misstatements to the annual financial statements submitted for auditing, non-compliance with applicable laws and regulations as well as information presented in the report on predetermined objectives not being valid, accurate and complete.

Financial and performance management

80. The financial statements and supporting accounting file submitted for audit purposes contained numerous limitations and deficiencies as assessed during my high-level review. This was due to weaknesses identified in the record keeping of the municipality in that recorded transactions did not always have adequate supporting documentation and underlying supporting schedules required for audit purposes. The lack of the

adequate review of the financial statements and supporting documentation prior to submission of the annual financial statements further contributed to the deficiencies noted.

81. The systems or processes used for the preparation and reporting of performance against predetermined objectives were not adequate, as the municipality had not formally adopted, and tailored, a system or procedure manual that sets out processes to follow, controls that must be in place, as well as responsible officials for the preparation, collation, reporting and monitoring of performance against predetermined objectives.

Governance

82. Insufficient action was taken by the governance structures within the municipality during the year under review to ensure that risks relating to the monitoring and reporting of financial information as well as performance objectives were addressed. Management failed to implement the recommendations of the internal audit unit, which resulted in external audit findings in the current year. This also contributed to repeat audit findings in a number of areas.
83. The municipality had an audit committee and internal audit unit, and the audit committee held regular meetings as required by the MFMA. However, the audit committee's ability to provide assurance was limited due to the inadequacy of the financial reports provided for their review.

Auditor-General.

East London

30 November 2015



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence